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Application Proof of

Guangxi Yuchai Marine and Genset Power Co., Ltd.
廣西玉柴船電動力股份有限公司

(the "Company")

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

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Guangxi Yuchai Marine and Genset Power Co., Ltd.
廣西玉柴船電動力股份有限公司

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

[REDACTED]

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

Joint Sponsors, [REDACTED], [REDACTED], [REDACTED] and [REDACTED]

CMS 招商證券國際　　中國銀河國際 CHINA GALAXY INTERNATIONAL

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The **[REDACTED]** is expected to be fixed by agreement between the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**) and our Company on the **[REDACTED]**. The **[REDACTED]** is expected to be on or before **[REDACTED]** and, in any event, no later than 12:00 noon on **[REDACTED]**. The **[REDACTED]** will be not more than HK$**[REDACTED]** per **[REDACTED]** and is currently expected to be not less than HK$**[REDACTED]** per **[REDACTED]**. If, for any reason, the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**) and we are unable to reach an agreement on the **[REDACTED]** at or before 12:00 noon on **[REDACTED]**, the **[REDACTED]** will not proceed and will lapse.

Applicants for **[REDACTED]** may be required to pay, on application (subject to application channels), the maximum **[REDACTED]** of HK$**[REDACTED]** for each Hong Kong **[REDACTED]** together with brokerage fee of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%.

The [REDACTED] (for themselves and on behalf of the [REDACTED]) may, where considered appropriate and with our consent, reduce the number of [REDACTED] being [REDACTED] under the [REDACTED] and/or the [REDACTED] below that stated in this document (which is HK$[REDACTED] to HK$**[REDACTED]** per [REDACTED]) at any time on or prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, notices of the reduction will be posted on the website of the Stock Exchange at **www.hkexnews.hk and our website at www.yuchaicd.com not later than the morning of the last day for lodging applications under the [REDACTED]. See "Structure of the [REDACTED]" and "How to Apply for [REDACTED]" in this document for further details.**

Prior to making an **[REDACTED]** decision, **[REDACTED]** should consider carefully all of the information set out in this document, including the risk factors set out in the section headed "Risk Factors" in this document.

The obligations of the **[REDACTED]** under the **[REDACTED]** are subject to termination by the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**) if certain events occur prior to 8:00 a.m. on the **[REDACTED]**. See "**[REDACTED]**" in this document.

The [REDACTED] have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and may not be [REDACTED], sold, pledged or transferred within the United States, except pursuant to an available exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The [REDACTED] are being [REDACTED] and sold solely outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE[(1)]

[REDACTED]

EXPECTED TIMETABLE[(1)]

[REDACTED]

EXPECTED TIMETABLE[(1)]

[REDACTED]

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IMPORTANT NOTICE TO [REDACTED]

*This document is issued by us solely in connection with the **[REDACTED]** and the **[REDACTED]** and does not constitute an **[REDACTED]** to sell or a solicitation of an **[REDACTED]** to buy any security other than the **[REDACTED]** offered by this document pursuant to the **[REDACTED]**. This document may not be used for the purpose of making, and does not constitute, an **[REDACTED]** or **[REDACTED]** in any other jurisdiction or in any other circumstances. No action has been taken to permit a **[REDACTED]** of the **[REDACTED]** in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this document in any jurisdiction other than Hong Kong. The distribution of this document for purposes of a **[REDACTED]** and the **[REDACTED]** and sale of the **[REDACTED]** in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.*

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SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read this document, including our financial statements and the accompanying notes, in its entirety before you decide to ***[REDACTED]*** *in the* ***[REDACTED]****. There are risks associated with any* ***[REDACTED]****. Some of the particular risks in* ***[REDACTED]*** *in the* ***[REDACTED]*** *are set out in the section headed "Risk Factors" in this document. You should read that section carefully in full before you decide to* ***[REDACTED]*** *in the* ***[REDACTED]****.*

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.

Our Milestones

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

Our Brand and Product Portfolio

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

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

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

	FY2023		FY2024		FY2025		1H2025		1H2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Power generator engines	**2,457,201**	**75.8**	**3,052,467**	**76.4**	**4,216,096**	**68.5**	**1,954,638**	**65.7**	**3,032,358**	**67.5**
Large engines	853,339	26.4	1,374,107	34.5	2,321,617	37.7	1,027,342	34.5	1,807,332	40.2
Heavy-duty engines	943,006	29.0	864,381	21.6	908,505	14.8	434,363	14.6	533,827	11.9
Medium- to light-duty engines	660,856	20.4	813,979	20.3	985,974	16.0	492,933	16.6	691,199	15.4
Marine propulsion and auxiliary engines	**481,183**	**14.9**	**476,999**	**11.9**	**659,287**	**10.7**	**271,102**	**9.1**	**378,152**	**8.4**
Power generator sets	**114,769**	**3.6**	**113,234**	**2.8**	**421,417**	**6.9**	**284,157**	**9.5**	**580,789**	**12.9**
Engine components and others	**185,855**	**5.7**	**357,096**	**8.9**	**853,639**	**13.9**	**468,219**	**15.7**	**503,082**	**11.2**
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**

MARKET AND OPPORTUNITIES

Our Go-to-Market Approach

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

Our Globalization Efforts

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

Our Global Opportunities

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

We see substantial global opportunities ahead, underpinned by rapid capacity expansion in data centers driven by the AI revolution, the wider adoption of distributed power stations, the continued advancement of infrastructure construction and a tight supply of power generator engines. According to Frost & Sullivan, the size of the 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.

SUPPLY CHAIN

We primarily procure components for our production of engines and power generator sets. The key components procured by us include principally cylinder block rough castings, cylinder head rough castings, crankshafts, camshafts, pistons, connecting rods, turbochargers, fuel injection pumps, fuel injectors and water pumps. To complement our product portfolio and meet customer demand, we also procure finished engines and power generator sets for sales to our customers.

Our suppliers are primarily providers of components and engines and OEMs of power generator sets based in China. We carefully select our suppliers and require them to satisfy various assessment criteria. All potential suppliers must pass our internal supplier admission standard before entering into our qualified supplier list. We also carry out regular reviews of qualified suppliers.

In FY2023, FY2024, FY2025 and 1H2026, purchases from our five largest suppliers in each year/period amounted to RMB1,328.3 million, RMB1,585.9 million, RMB2,327.4 million and RMB1,649.9 million, representing 47.4%, 44.4%, 40.9% and 42.0% of our total purchase amount, respectively.

SALES AND CUSTOMERS

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

Our sales model combines direct sales and distribution channels. We primarily market and sell power generator engines directly to OEMs who assemble our engines into power generator sets and sell to end users. We also market and sell power generator sets directly to end users, including leading internet technology companies and telecommunication operators. To a lesser extent, we directly sell our marine engines to OEMs. We primarily sell marine engines and, to a lesser extent, power generator engines and power generator sets through the established networks of our distributors across China and overseas. Our distributors are primarily mechanical and electrical companies and trading companies with established local customer bases.

In FY2023, FY2024, FY2025 and 1H2026, sales to our five largest customers in each year/period amounted to RMB1,088.7 million, RMB1,135.8 million, RMB2,118.7 million and RMB1,795.3 million, representing 33.6%, 28.4%, 34.4% and 39.9% of our total revenue, respectively.

CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, our Company was owned as to approximately 93.46% by GYMCL, and approximately 6.54% by the Limited Partnership Platforms which have been acting in concert with GYMCL based on their respective partnership agreements. Immediately following the completion of the **[REDACTED]** (assuming no exercise of the **[REDACTED]**), GYMCL will hold approximately **[REDACTED]**% of the total issued share capital of our Company.

As of the Latest Practicable Date, GYMCL was owned as to 76.41% by CYI through six intermediate holding companies, all of which are wholly-owned by CYI, including HLTS, Earnest Assets, Cathay Diesel Holdings, Tsang & Ong, GSGH, and Youngstar. CYI, whose shares are listed on NYSE, was held as to 31.21% by public shareholders, 20.09% by GY Entities, and 48.70% by HLA (whose shares are listed on the Singapore Stock Exchange) through Hong Leong (China) Limited, HL Technology Systems Pte. Ltd. and Well Summit Investments Limited. In addition, HLA beneficially owns a special share in CYI through its subsidiary that entitles it to elect a majority of directors in CYI and no shareholders' resolution may be passed without the affirmative vote of the special share. As of the Latest Practicable Date, HLA was directly and indirectly (through Starich Investments) held as to 70.52% by HLCH; and HLCH was in turn directly and indirectly (through HLE) 100% owned by HLIH, being the ultimate holding company of HLA.

Immediately following the completion of the **[REDACTED]**, GYMCL, HLTS, Earnest Assets, Cathay Diesel Holdings, Tsang & Ong, GSGH, Youngstar, CYI, HL Technology Systems Pte. Ltd., Hong Leong (China) Limited, Well Summit Investments Limited, HLA, HLCH, Starich Investments, HLIH, HLE, and the Limited Partnership Platforms will constitute a group of Controlling Shareholders under the Listing Rules.

See "Relationship with Our Controlling Shareholders" in this document for further details.

Transactions with the Related Parties

During the Track Record Period, we entered into various transaction and business dealings with the Related Parties, i.e., GY Entities, GYMCL Related Parties and MTU Yuchai, and the Related Parties were our suppliers and customers. In FY2023, FY2024, FY2025, 1H2025 and 1H2026, (i) our revenue from the Related Parties amounted to RMB822.6 million, RMB758.8 million, RMB614.3 million, RMB275.3 million and RMB306.8 million, representing 25.4%, 19.0%, 10.0%, 9.2% and 6.8% of our total revenue, respectively, and (ii) our purchases from the Related Parties amounted to RMB1,136.1 million, RMB1,397.8 million, RMB1,938.3 million, RMB875.9 million and RMB1,238.2 million, representing 40.5%, 39.2%, 34.1%, 24.2% and 31.5% of our total purchase amount, respectively. See "Business — Transactions with the Related Parties" and "Business — Supply Chain — Suppliers" in this document for further details.

CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions with our Controlling Shareholder, GYMCL and its associates (excluding our Group) that will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon the **[REDACTED]**. Accordingly, we have applied to the Stock Exchange for and the Stock Exchange [has granted], waivers in relation to certain continuing connected transactions between us and certain connected persons under Chapter 14A of the Listing Rules. See "Connected Transactions" in this document.

OUR STRENGTHS

We believe the following competitive strengths have contributed to our success and differentiate us from our competitors.

- Leading power generation solution provider in China
- Comprehensive and competitive product portfolio
- Systematic, proprietary and forward-looking R&D capabilities
- Engineering excellence across the entire value chain
- Extensive sales and service network and expanding global footprint
- Visionary management team with proven track record of innovation

See "Business — Our Competitive Strengths" in this document.

OUR STRATEGIES

We intend to pursue the following strategies to further grow our business.

- Deepen penetration in core applications to solidify market leadership
- Enrich product portfolio to cover full-scenario power demands
- Fortify technological R&D to consolidate core technological barriers
- Expand production capacity and optimize supply chain to strengthen operational support
- Accelerate global footprint expansion and construct an end-to-end global service network

See "Business — Our Strategies" in this document.

SUMMARY KEY FINANCIAL INFORMATION

Summary of Our 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**

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, for FY2023, FY2024 and FY2025, 1H2025 and 1H2026, and our net profit was RMB395.9 million, RMB535.8 million, RMB877.2 million, RMB447.6 million and RMB826.3 million, respectively, for FY2023, FY2024, FY2025, 1H2025 and 1H2026.

During the Track Record Period, we generated our revenue mainly from sales of products in Chinese mainland. The following table 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 (unaudited)	%	RMB'000	%
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.

During the Track Record Period, our costs of sales increased in line with the growth in our revenue. 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 consisting of shipping, packaging and warehousing costs. See "Financial Information — Description of Major Components of Consolidated Statements of Profit or Loss" in this document for further details.

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 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 (unaudited)	%	RMB'000	%
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	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**

Summary of Our Consolidated Balance Sheets

The following table sets forth selected information from 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
Total non-current assets	763,773	844,152	1,041,425	1,054,849
Total current assets	3,187,779	4,110,526	6,285,055	7,826,261
Total assets	3,951,552	4,954,678	7,326,480	8,881,110
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 non-current liabilities	16,434	24,798	94,049	82,770
Total liabilities	2,635,897	3,214,258	5,117,923	5,834,704
Net assets	1,315,655	1,740,420	2,208,557	3,046,406

Our net assets increased from RMB1,315.7 million as of December 31, 2023 to RMB1,740.4 million as of December 31, 2024, primarily attributable to net profit of RMB535.8 million in FY2024, capital contributions of RMB82.9 million and share-based payment expenses of RMB5.6 million, partially offset by our dividend payment of RMB200.0 million. Our net assets further increased to RMB2,208.6 million as of December 31, 2025, primarily attributable to net profit of RMB877.2 million in FY2025, share-based payment expenses of RMB10.8 million and capital contribution from the non-controlling shareholder of RMB6.3 million, partially offset by our dividend payment of RMB425.0 million and consolidation of share incentive scheme related shareholding platforms under common control of RMB61.7 million. Our net assets further increased to RMB3,046.4 million as of June 30, 2026, primarily attributable to net profit of RMB826.3 million in 1H2026, capital contribution from the non-controlling shareholder of RMB6.3 million and share-based payment expenses of RMB2.9 million.

Summary of Our Consolidated Statement of Cash Flows

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

	FY2023	FY2024	FY2025	1H2025	1H2026
	RMB'000	RMB'000	RMB'000	RMB'000	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

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%.

KEY RISK FACTORS

Our business and the **[REDACTED]** involve certain risks, many of which are beyond our control. For details, see "Risk Factors" in this document. A summary of key risk factors is set forth below.

- Our performance is subject to the fluctuations of demands for our products from end-users in the downstream sectors we serve. Slowdown in the growth of these downstream sectors could adversely affect our business, financial condition and results of operations.
- We have, and will continue to have, significant business relationships with the Related Parties. Any material changes in our relationships with the Related Parties would have a material adverse impact on our business, financial condition and results of operations.
- Our technologies and products may become obsolete. If we are unable to continually improve our existing technologies and products, develop new technologies and products or successfully enter other markets, we may lose our competitiveness.
- Our R&D efforts may not yield the results as expected, and we may fail to maintain and grow our R&D capability.
- Failure to maintain effective control over the quality of our products could adversely affect our reputation and brand image, lead to product returns or recalls and product liability claims and result in losses of customers and market share.
- We face intense market competition in our industry, and we may not be successful in effectively competing with our competitors.
- We depend on and expect to continue to depend on our major customers for a significant percentage of our sales.
- We have a limited history as an independently operated company, and our historical growth rate may not be indicative of our future performance.

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

- We may not be able to continue to use the "Yuchai" trademarks, or ensure the continued strength of the "Yuchai" trademarks

See "Risk Factors" in this document for further details.

DIVIDEND

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 predetermined 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.

[REDACTED] STATISTICS

The **[REDACTED]** constitutes a **[REDACTED]** from HLA, which is a Controlling Shareholder of ours and whose shares are listed on the Singapore Stock Exchange. Based on HLA's submissions and representations, the Singapore Stock Exchange advised on December 5, 2025 that it had no comments on the **[REDACTED]** of our Company. CYI, a subsidiary of HLA and a Controlling Shareholder of ours, has its shares listed on the NYSE. CYI is not required to obtain approval or consent from the U.S. Securities and Exchange Commission or the NYSE in connection with the **[REDACTED]**. Additionally, no approval from the shareholders of CYI and/or HLA is required for the **[REDACTED]** and the **[REDACTED]**.

The statistics in the following table are based on the assumption that (i) the **[REDACTED]** has been completed and **[REDACTED] [REDACTED]** are **[REDACTED]** in the **[REDACTED]**, and (ii) the **[REDACTED]** is not exercised.

	Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]	**Based on an [REDACTED] of HK$[REDACTED]** per [REDACTED]
[REDACTED] of our H Shares[(1)]	HK$**[REDACTED]**	HK$**[REDACTED]**
Unaudited **[REDACTED]** adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as at June 30, 2026[(2)]	HK$**[REDACTED]**	HK$**[REDACTED]**

Notes:

(1) The calculation of **[REDACTED]** is based on the assumption that **[REDACTED]** H Shares expected to be in issue immediately following the completion of the **[REDACTED]** (including **[REDACTED]** H Shares to be converted from Unlisted Shares and **[REDACTED]** new H Shares to be issued under the **[REDACTED]**, and assuming the **[REDACTED]** is not exercised).

(2) The unaudited **[REDACTED]** adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share are arrived at after adjustments referred to in "Appendix II — Unaudited **[REDACTED]** Financial Information" in this document.

FUTURE PLANS AND [REDACTED]

We estimate that we will receive **[REDACTED]** from the **[REDACTED]** of approximately HK$**[REDACTED]** (after deducting the **[REDACTED]** fees and **[REDACTED]** and estimated expenses payable by us in connection with the **[REDACTED]**, and assuming the **[REDACTED]** of HK$**[REDACTED]** per Share, being the mid-point of the **[REDACTED]** of the **[REDACTED]** of HK$**[REDACTED]** to HK$**[REDACTED]** per Share and assuming the **[REDACTED]** is not exercised).

We intend to use the **[REDACTED]** that we will receive from **[REDACTED]** for the following purposes:

1. approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]**, will be allocated to the construction of two machining lines and two assembly and testing lines;

2. approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]**, will be used for the enhancement of existing product series and research and development of four new product series;

3. approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]**, will be used for strategic investments in, or acquisitions of, business opportunities in companies or entering into joint venture with companies within the engine manufacture industry and/or our core component supply chain; and

4. approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]**, will be used for working capital and general corporate purposes.

See "Future Plans and **[REDACTED]** — **[REDACTED]**" in this document for further information.

[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.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Since the end of the Track Record Period, we have continued to advance our business development initiatives by pursuing the R&D of new engine series and performance enhancement of our existing products.

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.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed "Glossary of Technical Terms" in this document.

"1H2025"	the six months ended June 30, 2025
"1H2026"	the six months ended June 30, 2026
"Accountants' Report"	the accountants' report of our Company prepared by Ernst & Young, details of which are set out in Appendix I
"affiliate(s)"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	the Accounting and Financial Reporting Council of Hong Kong
"Articles of Association" or "Articles"	the articles of association of our Company, conditionally adopted on [●] with effect from the **[REDACTED]**, and as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix III — Summary of Articles of Association
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"BIS"	Bureau of Industry and Security
"Board" or "our Board"	the board of Directors
"business day"	a day on which banks in Hong Kong are generally open for normal business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
	[REDACTED]
"Cathay Diesel Holdings"	Cathay Diesel Holdings Ltd. a limited liability company incorporated in the Cayman Islands on March 30, 1993, and one of our Controlling Shareholders
	[REDACTED]
"China", "Chinese mainland" or "PRC"	the People's Republic of China which, for the purpose of this document and for geographical reference only, excluding Hong Kong, Macao Special Administrative Region of the People's Republic of China, and Taiwan Region
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company", "our Company", "the Company", or "GYMGP"	Guangxi Yuchai Marine and Genset Power Co., Ltd. (廣西玉柴船電動力股份有限公司), a limited liability company established in the PRC on January 10, 2017 and converted into a joint stock company with limited liability on December 31, 2025
"Compliance Advisor"	Anglo Chinese Corporate Finance, Limited
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context otherwise requires, refers to GYMCL, HLTS, Earnest Assets, Cathay Diesel Holdings, Tsang & Ong, GSGH, Youngstar, CYI, HL Technology Systems Pte. Ltd., Hong Leong (China) Limited, Well Summit Investments Limited, HLA, Starich Investments, HLCH, HLE, HLIH, Yulin Dayingjia, Yulin Changyingjia and Yulin Zhongli. See "Relationship with Our Controlling Shareholders" in this document for details
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Corporate Governance Code"	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
"CSDCC"	China Securities Depositary and Clearing Corporation Limited (中國證券登記結算有限責任公司)
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"CYI"	China Yuchai International Limited, an exempted company incorporated in Bermuda with limited liability on April 29, 1993, whose shares are listed on the NYSE with the stock code of CYD, and one of our Controlling Shareholders
"CYI Group"	CYI and its subsidiaries from time to time
"Director(s)" or "our Director(s)"	the director(s) of our Company
"Dr. Huang"	Dr. Huang Yongzhong (黃永仲), an executive Director and chief technology officer of our Company
"EAR"	the Export Administration Regulations, 15 C.F.R. Parts 730–774, as administered by the U.S. Department of Commerce, Bureau of Industry and Security
"Earnest Assets"	Earnest Assets Limited, a limited liability company incorporated in the British Virgin Islands on May 16, 1994, and one of our Controlling Shareholders
"EIT"	the PRC enterprise income tax
"EIT Law"	the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得税法》), as amended, supplemented or otherwise modified from time to time

"ESG"	environmental, social and governance
"ESG Committee"	the environmental, social and governance committee of the Board
"EU"	the European Union
	[REDACTED]
"Extreme Conditions"	extreme conditions as announced by the government of Hong Kong in the case where a super typhoon or other natural disaster of a substantial scale serious affects the working public's ability to resume work or brings safely concern for a prolonged period
	[REDACTED]
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an Independent Third Party
"Frost & Sullivan Report"	an independent market research report commissioned by us and prepared by Frost & Sullivan for the purpose of this document
"FY2023"	the financial year ended December 31, 2023
"FY2024"	the financial year ended December 31, 2024
"FY2025"	the financial year ended December 31, 2025
	[REDACTED]
"Group", "our Group", "our", "we" or "us"	our Company and all of its subsidiaries from time to time
"GSGH"	Goldman Sachs Guangxi Holdings (BVI) Ltd., a limited liability company incorporated in the British Virgin Islands on March 29, 1993, and one of our Controlling Shareholders
"Guangxi"	Guangxi Zhuang Autonomous Region of the PRC
"Guangxi SASAC"	The State-owned Assets Supervision and Administration Commission of the State Council of the People's Government of Guangxi Zhuang Autonomous Region* (廣西壯族自治區國有資產管理委員會)
"Guide for New Listing Applicants"	the Guide for New Listing Applicants, as published by the Hong Kong Stock Exchange as amended, supplemented or otherwise modified from time to time

"GY"	Guangxi Yuchai Machinery Group Co., Ltd. (廣西玉柴機器集團有限公司), a limited liability company incorporated in the PRC in August 1992. As at the Latest Practicable Date, it was controlled by Guangxi SASAC
"GY Entities"	GY and its subsidiaries from time to time, each a GY Entity
"GYMCL"	Guangxi Yuchai Machinery Co., Ltd. (廣西玉柴機器股份有限公司), a joint stock company with limited liability incorporated in the PRC in August 1992, and one of our Controlling Shareholders
"GYMCL Connected Persons"	GYMCL and its associates but excluding our Group
"GYMCL Group"	GYMCL and its subsidiaries but excluding our Group
"GYMCL Related Parties"	GYMCL and such subsidiaries and joint ventures of GYMCL who are our related parties under IFRS and referred to in the Accountants' Report, each a GYMCL Related Party
"H Share(s)"	ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which is/are to be **[REDACTED]** for and **[REDACTED]** in HK dollars and to be **[REDACTED]** on the Hong Kong Stock Exchange
	[REDACTED]
"HK$" or "Hong Kong dollars" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong

[REDACTED]

[REDACTED]

"HLA"	Hong Leong Asia Ltd. (豐隆亞洲有限公司), a limited liability company incorporated in the Republic of Singapore on August 30, 1963, whose shares are listed on the main board of the Singapore Stock Exchange with the stock code of H22, and one of our Controlling Shareholders
"HLA Group"	HLA, together with its subsidiaries from time to time
"HLCH"	Hong Leong Corporation Holdings Pte. Ltd, a limited liability company incorporated in the Republic of Singapore on October 18, 2001, and one of our Controlling Shareholders
"HLCH Group"	HLCH, together with its subsidiaries from time to time
"HLE"	Hong Leong Enterprises Pte. Ltd., a limited liability company incorporated in the Republic of Singapore on May 26, 1982, and one of our Controlling Shareholders
"HLIH"	Hong Leong Investment Holdings Pte. Ltd., a limited liability company incorporated in the Republic of Singapore on April 14, 1948, and one of our Controlling Shareholders
"HLIH Group"	HLIH, together with its subsidiaries from time to time
"HLTS"	Hong Leong Technology Systems (BVI) Ltd., a limited liability company incorporated in the British Virgin Islands on March 31, 1993, and one of our Controlling Shareholders
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

[REDACTED]

"IFRS"	the International Financial Reporting Standards
"Independent Customers"	customers other than the Related Parties

"Independent Third Party(ies)"	any entity(ies) or person(s) who is not a connected person of our Company within the meaning of the Hong Kong Listing Rules
"Independent Suppliers"	suppliers other than the Related Parties

[REDACTED]

"International Sanctions Legal Advisor"	King & Wood, our legal advisor as to international sanctions laws in respect of international sanctions risk analysis

[REDACTED]

"Joint Sponsors"	the joint sponsors of the **[REDACTED]** as named in the section headed "Directors and Parties Involved in the **[REDACTED]**" in this document
"Latest Practicable Date"	August 24, 2026, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication
"Limited Partnership Platforms"	Yulin Changyingjia, Yulin Zhongli and Yulin Dayingjia

[REDACTED]

[REDACTED]

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. NF Chan"	Mr. Chan Ngai Fan (陳毅奮), an independent non-executive Director
"Mr. Chen"	Mr. Chen Hai (陳海), our non-executive Chairman of the Board and a non-executive Director
"Mr. Fan"	Mr. Fan Hao (范皓), an independent non-executive Director
"Mr. Lu"	Mr. Lu Yuming (陸玉明), an executive Director and chief financial officer of our Company
"Mr. Ning"	Mr. Ning Xingyong (寧興勇), an executive Director and general manager of our Company
"Mr. Neo"	Mr. Neo Poh Kiat (梁寶吉), a non-executive Director
"Ms. Fan"	Ms. Fan Conghui (范叢慧), an independent non-executive Director
"Ms. Mak"	Ms. Mak Sin Ki (麥善琪), a joint company secretary of our Company
"Ms. Su"	Ms. Su Minghong (蘇鳴紅), a non-executive Director
"Ms. Ye"	Ms. Ye Yashi (葉雅詩), a joint company secretary of our Company
"MTU Yuchai"	MTU Yuchai Power Co., Ltd. (玉柴安特優動力有限公司), a limited liability company established in the PRC on January 18, 2017, and a 50-50 joint venture between our Company and Rolls-Royce
"Nanyue Fuel Injection"	Nanyue Fuel Injection Systems Co., Ltd (南岳電控(衡陽)工業技術股份有限公司) a limited liability company established in the PRC on January 2, 1994 and converted into a joint stock company with limited liability on June 3, 2015
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Nomination Committee"	the nomination committee of the Board
"NYSE"	the New York Stock Exchange

[REDACTED]

"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC Company Law"	Company Law of the PRC (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"PRC GAAP"	generally accepted accounting principles in the PRC
"Primary Sanction"	U.S. sanctions applicable to U.S. persons or activities involving a U.S. nexus (e.g., funds transfers in U.S. currency or activities involving goods subject to the United States EAR, even if performed by non-U.S. persons)
	[REDACTED]
"R&D"	research and development
"Regulation S"	Regulation S under the U.S. Securities Act
"Related Parties"	GY Entities, GYMCL Related Parties and MTU Yuchai, being those entities who are our related parties under IFRS and referred to in the Accountants' Report, each a Related Party
"Relevant Sanctions Jurisdiction"	any jurisdiction that is relevant to our Company and has sanctions related law or regulation restricting, among other things, its nationals and/or entities which are incorporated or located in that jurisdiction from directly or indirectly making assets or services available to or otherwise dealing in assets of certain countries, governments, persons or entities targeted by such law or regulation

"Remuneration Committee"	the remuneration committee of our Board
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"Rolls-Royce"	Rolls-Royce Solutions GmbH, a company incorporated in Germany with limited liability in 1909, and a subsidiary of Rolls-Royce Power Systems AG
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAMR"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"Sanctioned Country"	Any country or territory subject to a general and comprehensive export, import, financial or investment embargo under sanctions related law or regulation of a Relevant Sanctions Jurisdiction
"Sanctioned Target"	any person or entity (i) designated on any list of targeted persons or entities issued under the sanctions-related law or regulation of a Relevant Sanctions Jurisdiction; (ii) that is, or is owned or controlled by, a government of a Sanctioned Country; or (iii) that is the target of sanctions under the law or regulation of a Relevant Sanctions Jurisdiction because of a relationship of ownership, control, or agency with a person or entity described in (i) or (ii)
"Secondary Sanctions"	U.S. sanctions applied extra-territorially to the activities of non-U.S. persons even when the transaction has no U.S. nexus
"SDN"	the persons or entities designated on the Specially Designated Nationals and Blocked Persons List maintained by the U.S. Department of the Treasury's Office of Foreign Assets Control
"SFC"	Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the capital of our Company with a nominal value of RMB1.00 each, which after the **[REDACTED]** will comprise H Shares
"Shareholder(s)"	holder(s) of our Share(s)
"Simlan Technology"	Yuchai Simlan Technology Co., Ltd. (玉柴芯藍新能源動力科技有限公司), a limited liability company established under the laws of the PRC on August 16, 2021. As of the Latest Practicable Date, it was a non-wholly owned subsidiary of GYMCL, in which GYMCL held approximately 98.2%
"Singapore Stock Exchange"	Singapore Exchange Securities Trading Limited
	[REDACTED]
"STA"	the State Taxation Administration of the PRC (中華人民共和國國家税務總局)

[REDACTED]

"Starich Investments"	Starich Investments Pte. Ltd., a limited liability company incorporated in the Republic of Singapore on July 13, 1983, and one of our Controlling Shareholders
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Strategy Committee"	the strategy committee of the Board
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	FY2023, FY2024, FY2025 and 1H2026
"treasury shares"	has the meaning ascribed to it under the Listing Rules
"Trial Measures"	The Trial Measures for the Administration on Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) promulgated by the CSRC on February 17, 2023, which became effective on March 31, 2023, as amended, supplemented or otherwise modified from time to time
"Tsang & Ong"	Tsang & Ong Nominees (BVI) Ltd., a limited liability company incorporated in the British Virgin Islands on March 30, 1993, and one of our Controlling Shareholders
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the U.S.
"U.S. Securities Act"	United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time

[REDACTED]

"Unlisted Share(s)"	ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which is/are not listed on any stock exchange
"VAT"	value-added tax
"Yichen Power"	Anhui Yichen United Power Technology Co., Ltd.* (安徽翊宸聯合動力科技股份有限公司) (previously known as Y & C Engine Co., Ltd (玉柴聯合動力股份有限公司), a joint stock company with limited liability incorporated in the PRC in August 2009. As of the Latest Practicable Date, GYMCL held approximately 45.0% of its shares

"Youngstar"	Youngstar Holdings Limited, a limited liability company incorporated in the British Virgin Islands on March 16, 1993, and one of our Controlling Shareholders
"Yuchai Deyou"	Guangxi Yuchai Deyou Engine Systems Co., Ltd.* (廣西玉柴德優發動機系統有限公司), a limited liability company established under the laws of the PRC on December 22, 2021, and a direct wholly-owned subsidiary of our Company as of the Latest Practicable Date
"Yuchai Machinery Exclusive"	Yuchai Machinery Exclusive Sales Development Co., Ltd.* (廣西玉柴機器專賣發展有限公司), a limited liability company established under the laws of the PRC on January 28, 2000. As of the Latest Practicable Date, it was a non-wholly owned subsidiary of GYMCL, in which GYMCL held approximately 71.8%
"Yuchai Power Solutions"	Guangxi Yuchai Marine and Genset Power Solutions Co., Ltd* (廣西玉柴船電發電設備有限公司), a limited liability company established under the laws of the PRC on July 10, 2025, and a non-wholly owned subsidiary of the Company, in which the Company owned as to 75% of its equity interest, and Guangxi Yuchai Power Machinery Co., Ltd (廣西玉柴動力股份有限公司), a subsidiary of GY owned as to 25% of its equity interest as of the Latest Practicable Date
"Yulin Changyingjia"	Yulin Changyingjia Investment Partnership Enterprise* (玉林長盈家投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on September 7, 2023 and one of our Controlling Shareholders
"Yulin Dayingjia"	Yulin Dayingjia Investment Partnership Enterprise* (玉林大盈家投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on September 7, 2023 and one of our Controlling Shareholders
"Yulin Zhongli"	Yulin Zhongli Investment Partnership Enterprise* (玉林衆利投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on June 24, 2024 and one of our Controlling Shareholders
"%"	percent

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

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including our subsidiaries) have been included in this document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are provided for identification purposes only.

Unless otherwise expressly stated or the context otherwise requires, all data in this document is as of the Latest Practicable Date.

* *For identification purposes only*

GLOSSARY OF TECHNICAL TERMS

In this document, unless the context otherwise requires, explanations and definitions of certain terms used in this document in connection with our Group and our business shall have the meanings set out below. The terms and their meanings may not correspond to standard industry meaning or usage of these terms, and may not be comparable to similar terms adopted by other companies.

"AI"	artificial intelligence, an area of computer science that focuses on mimicking human intelligence by machines
"alternator"	a device that converts mechanical energy from a power generator engine into electrical energy
"auxiliary engine"	an engine installed on a vessel, vehicle, platform, or equipment that is not used as the primary propulsion or prime mover, but instead provides secondary or supportive power for onboard or ancillary systems, such as electrical generation, pumps, compressors, hydraulics, heating and cooling or other auxiliary loads.
"bar"	a unit of pressure
"BMEP"	brake mean effective pressure, a measure of an engine's power output relative to its displacement; a higher BMEP indicates greater power density
"CAGR"	compound annual growth rate
"CCS"	the China Classification Society
"EPC"	engineering, procurement and construction
"EUP"	electronic unit pump, a fuel injection system in which each cylinder is equipped with an independent high-pressure pump, and injection timing and fuel quantity are regulated through electronic control
"heavy-duty engine"	a power generator engine with rated power between 500kW and 1,500kW (both inclusive)
"HPCR"	high-pressure common rail, a fuel injection system in which fuel is maintained at high pressure in a shared rail connected to all injectors, with injection pressure not limited by engine speed
"G3-class requirements"	G3-class requirements under the ISO 8528 standard applicable to the telecommunications industry
"GB/T 19001-2016"	the PRC equivalent standard of ISO 9001:2015
"GB/T 24001-2016"	the PRC equivalent standard of ISO 14001:2015
"GB/T 45001-2020"	the PRC equivalent standard of ISO 45001:2018
"high-speed"	in respect of marine engines, marine engines with a rated speed exceeding 1,000 r/min

GLOSSARY OF TECHNICAL TERMS

"Hz"	hertz, a measurement of frequency
"IMO"	the International Maritime Organization
"ISO"	the International Organization for Standardization, a non-governmental organization based in Geneva, Switzerland, for assessing the quality systems of business organizations
"ISO 14001:2015"	a standard published by ISO, prescribing specific requirements for an environmental management system in an organization
"ISO 45001:2018"	a standard published by ISO, prescribing specific requirements for an occupational health and safety management system in an organization
"ISO 8528"	a standard published by ISO, prescribing specific requirements for reciprocating internal combustion engine driven alternating current generating sets
"ISO 9001"	a standard published by ISO, prescribing specific requirements for a quality management system in an organization
"ISO 9001:2015"	the 2015 version of the ISO 9001 standard
"kW"	a unit of power, 1kW equals 1,000 watts
"kWh"	kilowatt hour, the standard unit of energy used in the electric power industry. One kilowatt hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour
"large engine"	a power generator engine with rated power of more than 1,500kW
"LNG"	liquefied natural gas
"marine engine"	marine propulsion and auxiliary engine
"marine propulsion engine"	an internal combustion engine designed and built to convert the chemical energy of fuel into mechanical power for the primary purpose of propelling a vessel through water, typically by driving a propeller, waterjet, or other marine propulsion device, and including associated systems necessary for marine operation, such as cooling, lubrication, and control systems
"medium-speed"	in respect of marine engines, marine engines with a rated speed ranging from 300 r/min to 1,000 r/min
"medium- to light-duty engine"	a power generator engine with rated power of less than 500 kW
"MPa"	megapascal, a unit of pressure
"MW"	a unit of power, 1MW equals 1,000 kW

GLOSSARY OF TECHNICAL TERMS

"Non-Road Stage III"	the stage III standard of Limits and Measurement Methods for Exhaust Pollutants from Diesel Engines of Non-Road Mobile Machinery (CHINA III, IV) (《非道路移動機械用柴油機排氣污染物排放限值及測量方法(中國第三、四階段)》) (GB20891-2014)
"Non-Road Stage IV"	the stage IV standard of Limits and Measurement Methods for Exhaust Pollutants from Diesel Engines of Non-Road Mobile Machinery (CHINA III, IV) (《非道路移動機械用柴油機排氣污染物排放限值及測量方法(中國第三、四階段)》) (GB20891-2014)
"OEM"	an original equipment manufacturer
"power generator engine"	an internal combustion engine designed for power-generation applications that converts the chemical energy of fuel into mechanical energy, which is then used to drive an alternator
"power generator set"	an integrated power generation system consisting of a power generator engine, an alternator and a full suite of engine accessories (including for example the cooling, control and intake and exhaust systems)
"r/min"	revolutions per minute
"sq.m."	square meters
"Stage V"	EU's current standards for engines installed in non-road mobile machinery and certain other application (including inland waterway vessels), established under Regulation (EU) 2016/1628 and its implementing measures
"Teamcenter"	a product lifecycle management system
"Tier II"	the nitrogen oxides (NOx) emission limits established by the IMO under the International Convention for the Prevention of Pollution from Ships (MARPOL) Annex VI, Regulation 13, for marine diesel engines with a rated power of 130 kW or above installed on ships constructed on or after 1 January 2011 (or undergoing a major conversion on or after that date)
"transient load acceptance"	the maximum load capacity that a power generator set can accept instantaneously while the output voltage remains within a specified range
"V-model"	a V-shape product development framework characterized by the parallel execution of design and development on one side and testing and validation on the other side

FORWARD-LOOKING STATEMENTS

We have included in this document forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

This document contains forward-looking statements that relate to our current expectations and views of future events. These forward-looking statements are contained principally in "Summary," "Risk Factors," "Industry Overview," "Business," "Financial Information" and "Future Plans and **[REDACTED]**." These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed in "Risk Factors," which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In some cases, these forward-looking statements can be identified by words or phrases such as "may," "will," "expect," "anticipate," "aim," "estimate," "intend," "plan," "believe," "potential," "continue," "is/are likely to" or other similar expressions. These forward-looking statements include, among other things, statements relating to:

- our operations and business prospects;
- future developments, trends and conditions in the industries and markets in which we operate or plan to operate;
- general economic, political and business conditions in the markets in which we operate, including but not limited to interest rates and foreign exchange rates;
- changes to the regulatory environment in the industries and markets in which we operate;
- our ability to maintain relationship with, and the actions and developments affecting, our major business partners, suppliers and future customers;
- our ability to maintain the market leading positions and the actions and developments of our competitors;
- our ability to effectively control costs and operating expenses;
- the ability of business partners to perform in accordance with contractual terms and specifications;
- our ability to retain senior management and key personnel and recruit qualified staff;
- our business strategies and plans to achieve these strategies, including our business development plans and geographic expansion plans; and
- all other risks and uncertainties described in the section headed "Risk Factors" in this document.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our control. In addition, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual outcomes may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risk factors set out in "Risk Factors."

The forward-looking statements made in this document relate only to events or information as of the date on which the statements are made in this document. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this document completely and with the understanding that our actual future results or performance may be materially different from what we expect.

In this document, statements of, or references to, our intentions or those of any of our Directors are made as of the date of this document. Any of these intentions may change in light of future development.

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

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

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RISKS RELATING TO OUR DOING BUSINESS IN THE PRC

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

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

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

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

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

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

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

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

Pursuant to Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得税的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and the STA on March 30, 1998, from January 1, 1997, gains realized by individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. As of the Latest Practicable Date, no aforesaid provisions

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

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

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

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

RISKS RELATING TO THE [REDACTED]

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the **[REDACTED]**, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rules 8.12 and 19A.15 of the Hong Kong Listing Rules, our Company must have a sufficient management presence in Hong Kong and, under normal circumstances, at least two of the new applicant's executive directors must be ordinary resident in Hong Kong. Since all of the business operations of our Group are managed and conducted outside Hong Kong, and all of our executive Directors ordinarily reside outside Hong Kong, our Company considers that it would be practically difficult and commercially unreasonable and undesirable for our Company to arrange for two executive Directors to be ordinarily resident in Hong Kong, either by means of relocation of existing executive Directors or appointment of additional executive Directors. As such, our Company does not have and does not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under the Rules 8.12 and 19A.15 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 8.12 and 19A.15 of the Listing Rules. We will ensure that there is an effective channel of communication between us and the Stock Exchange by way of the following arrangements:

(a) pursuant to Rule 3.05 of the Listing Rules, we have appointed Mr. Lu Yuming, our executive Director and Ms. Mak Sin Ki, one of our joint company secretaries, as authorized representatives of our Company, to be the principal channel of communication with the Stock Exchange. Each of them has confirmed that he can be readily contacted by phone, facsimile and email to deal promptly with enquiries from the Stock Exchange, and will also be available to meet with the Stock Exchange to discuss any matters on short notice. As and when the Stock Exchange wishes to contact our Directors on any matters, each of the authorized representatives will have means to contact all of our Directors (including the independent non-executive Directors) promptly at all times. Our Company will also inform the Stock Exchange promptly in respect of any change in the authorized representatives;

(b) in addition to the appointment of the authorized representatives, to facilitate communication with the Stock Exchange, the contact details of each Director, including his/her mobile phone number, office phone number, facsimile number and e-mail address, have been provided to each of the authorized representatives and the Compliance Advisor (as defined below) who have means for contacting all Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. Furthermore, each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period of time as and when required;

(c) pursuant to Rules 3A.19 and 19A.05(2) of the Listing Rules, our Company has appointed Anglo Chinese Corporate Finance, Limited as our Compliance Advisor for the period commencing from the date of our **[REDACTED]** until the date on which our Company announces our financial results and distributes our annual report for the first full financial year after the date of our **[REDACTED]**. The Compliance Advisor will act as our Company's additional and alternative channel of communication with the Stock Exchange, and its representatives will be readily available to answer enquiries from the Stock Exchange. Our Company will ensure that there are adequate and efficient means of communication between us, our authorized representatives, Directors and other officers and the Compliance Advisor, and will keep the Compliance Advisor fully informed of all communications and dealings between us and the Stock Exchange. Our Company will also inform the Stock Exchange promptly in respect of any change in the Compliance Advisor. Meetings with the Stock Exchange and our Directors can be arranged through our Company's authorized representatives or the Compliance Advisor, or directly with our Directors with reasonable notice; and

(d) in addition to the Compliance Advisor's role and responsibilities after the **[REDACTED]** to provide advice to our Company on the continuing requirements under the Listing Rules and applicable laws and regulations, our Company will retain a Hong Kong legal advisor to advise us on the compliance with the Listing Rules and other applicable Hong Kong law and regulations relating to securities after the **[REDACTED]**.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary of our Company must be a person who has the requisite academic or professional qualifications or relevant experience is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of a company secretary. The Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); or

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Listing Rules provides that, in assessing "relevant experience", the Stock Exchange will consider the individual's: (i) length of employment with the issuer and other issuers and the roles he/she played; (ii) familiarity with the Listing Rules and other relevant law and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code; (iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and (iv) professional qualifications in other jurisdictions.

We have appointed Ms. Ye Yashi as one of our joint company secretaries. She has extensive experience in board and corporate management matters but presently does not possess any of the qualifications under Rule 3.28 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, we have appointed Ms. Mak Sin Ki, an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom, who meets the requirements stipulated under Rule 3.28 of the Listing Rules to act as the other joint company secretary and to provide assistance to Ms. Ye for an initial period of three years from the **[REDACTED]** to enable Ms. Ye to acquire the "relevant experience" under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set out under Rules 3.28 and 8.17 of the Listing Rules. For further information regarding Ms. Ye and Ms. Mak, see "Directors and Senior Management" in this document.

Ms. Mak will work closely with Ms. Ye to jointly discharge the duties and responsibilities as company secretaries and assist Ms. Ye in acquiring the relevant experience as required under Rule 3.28 of the Listing Rules. Ms. Ye will also be assisted by (a) the Compliance Advisor for the first full financial year from the **[REDACTED]**, particularly in relation to Hong Kong corporate governance practices and compliance issues; and (b) the Hong Kong legal advisor of our Company, on matters concerning our Company's ongoing compliance with the Listing Rules and the applicable Hong Kong laws and regulations. In addition, Ms. Ye will endeavor to attend relevant trainings and familiarize herself with the Listing Rules and duties required of a company secretary of an issuer listed on the Stock Exchange.

We have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules. The waiver is valid for an initial period of three years from the **[REDACTED]**, on the conditions that we engage Ms. Mak, who possesses all the requisite qualifications under Rule 3.28 of the Listing Rules, to assist Ms. Ye in discharging her duties as a joint company secretary and in gaining the "relevant experience" as required under Note 2 to Rule 3.28 of the Listing Rules.

Before the expiration of the initial three-year period, the qualifications of Ms. Ye will be re-evaluated to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied and whether the need for on-going assistance will continue. In the event Ms. Ye fulfills all the requirements stipulated at the end of the initial three-year period, the above joint company secretaries arrangement would no longer be necessary for our Company.

CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue certain transactions which will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules upon the **[REDACTED]**. For further details about such transactions together with the application for a waiver from strict compliance with the relevant requirements under Chapter 14A of the Listing Rules, see "Connected Transactions" in this document.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Ning Xingyong (寧興勇)	Unit 23-1-402 Yinghua Residential Complex 86 Tianqiao West Road Yuzhou District, Yulin City Guangxi Zhuang Autonomous Region China	Chinese
Lu Yuming (陸玉明)	Unit 2, Block 19 Aoyuan Garden — No.1 Garden Yulin City Guangxi Zhuang Autonomous Region China	Chinese
Huang Yongzhong (黃永仲)	Unit 48-201 Yinghua Residential Complex 86 Tianqiao West Road Yuzhou District, Yulin City Guangxi Zhuang Autonomous Region China	Chinese
Non-executive chairman of the Board and non-executive Director		
Chen Hai (陳海)	Unit 2102, Block 17 Wanchang Dongfang Paris Lakeshore No. 8 Jiangbin East Road Yuzhou District, Yulin City Guangxi Zhuang Autonomous Region China	Chinese
Non-executive Directors		
Neo Poh Kiat (梁寶吉)	17 Dunbar Walk 459297 Singapore	Singaporean
Su Minghong (蘇鳴紅)	Flat 1401, Block 4 Dongfang Shuian Residential Complex Yuzhou District, Yulin City Guangxi Zhuang Autonomous Region China	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Name	Address	Nationality
Independent non-executive Directors		
Fan Hao (范皓)	Room 2201, Unit 1, Building 3 No. 616 Tianfu First Street High-Tech Zone, Chengdu City Sichuan Province China	Chinese
Fan Conghui (范叢慧)	Room 202, Unit 2, South Block 3 Tsinghua Garden Subdistrict Tsinghua South Area Haidian District Beijing China	Chinese
Chan Ngai Fan (陳毅奮)	1/F, 8 Ho Tung Road Kowloon Tong Kowloon Hong Kong	Chinese (Hong Kong)

See "Directors and Senior Management" in this document for further details.

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors and Sponsor-[REDACTED]	**China Merchants Securities (HK) Co., Limited** 32/F, One Exchange Square 8 Connaught Place Central Hong Kong **China Galaxy International Securities (Hong Kong) Co., Limited** 20/F, Wing On Centre 111 Connaught Road Central Central Hong Kong
[REDACTED]	**[REDACTED]**
	[REDACTED]

[REDACTED]

Legal advisors to our Company

As to Hong Kong laws:

Reed Smith Richards Butler LLP
17th Floor, One Island East
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

As to PRC laws:

JunHe LLP
28/F, GDH BCC
No.21 Zhujiang West Road
Zhujiang New Town
Tianhe District,
Guangzhou 510627
PRC

	As to international sanctions law: **King & Wood** 18th Floor, East Tower World Financial Center 1 Dongsanhuan Zhonglu Chaoyang District Beijing PRC
Legal advisors to the Joint Sponsors and the [REDACTED]	*As to Hong Kong laws:* **Haiwen & Partners LLP** Suites 601–602 & 610–616, 6/F One International Finance Centre 1 Harbour View Street Central Hong Kong *As to PRC laws:* **Haiwen & Partners** 20/F, Fortune Financial Center 5 Dong San Huan Central Road Chaoyang District Beijing PRC
Auditors and Reporting Accountants	**Ernst & Young** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 27/F, One Taikoo Place 979 King's Road Quarry Bay Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Suite 2504, Wheelock Square 1717 Nanjing West Road Shanghai 200040 Shanghai China
[REDACTED]	[●]

CORPORATE INFORMATION

Registered Office, Headquarter and Principal Place of Business in the PRC	No. 88 Tianqiao West Road Yulin City Guangxi Zhuang Autonomous Region China
Principal Place of Business in Hong Kong	Room 1915, 19/F Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Company's Website	**www.yuchaicd.com** *(The information contained on this website does not form part of this document)*

Joint Company Secretaries

Ye Yashi (葉雅詩)
Unit 2701, Block 15
Yinfeng Central Mansion
699 Jin'an Road
Yuzhou District
Yulin City
Guangxi Zhuang Autonomous Region
China

Mak Sin Ki (麥善琪)
(Associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)
Room 1915, 19/F
Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

Authorized Representatives

Lu Yuming (陸玉明)
Unit 2, Block 19
Aoyuan Garden — No.1 Garden
Yulin City
Guangxi Zhuang Autonomous Region
China

Mak Sin Ki (麥善琪)
Room 1915, 19/F
Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

Audit Committee

Chan Ngai Fan (陳毅奮) *(Chairperson)*
Neo Poh Kiat (梁寶吉)
Fan Hao (范皓)
Fan Conghui (范叢慧)

Remuneration Committee

Fan Hao (范皓) *(Chairperson)*
Fan Conghui (范叢慧)
Neo Poh Kiat (梁寶吉)

Nomination Committee

Fan Conghui (范叢慧) *(Chairperson)*
Neo Poh Kiat (梁寶吉)
Chan Ngai Fan (陳毅奮)

Strategy Committee

Ning Xingyong (寧興勇) *(Chairperson)*
Lu Yuming (陸玉明)
Huang Yongzhong (黃永仲)
Chen Hai (陳海)
Su Minghong (蘇鳴紅)

CORPORATE INFORMATION

ESG Committee	Ning Xingyong (寧興勇) *(Chairperson)* Lu Yuming (陸玉明) Huang Yongzhong (黃永仲)

[REDACTED]

Compliance Advisor	**Anglo Chinese Corporate Finance, Limited** Room 4001, 40th Floor Two Exchange Square 8 Connaught Place Central Hong Kong
Principal Banks	**Industrial and Commercial Bank of China Yulin Jiangnan Technology Sub-branch** No. 5 Yuchai Road Yuzhou District Yulin City Guangxi Zhuang Autonomous Region China

INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this document were extracted from the Frost & Sullivan Report, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the ***[REDACTED]****. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by us, the Joint Sponsors,* ***[REDACTED]****,* ***[REDACTED]****,* ***[REDACTED]****,* ***[REDACTED]****,* ***[REDACTED]****, any of their respective directors and advisors, or any other persons or parties involved in the* ***[REDACTED]****, and no representation is given as to its accuracy.*

SOURCE OF INFORMATION

We commissioned Frost & Sullivan to conduct market research on global and China's power generator sets industry, power generator engines industry and medium- and high-speed marine engines industry and to prepare the Frost & Sullivan Report. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York that offers industry research and market strategies. We have contracted to pay RMB0.6 million to Frost & Sullivan for compiling the Frost & Sullivan Report.

In preparing the Frost & Sullivan Report, Frost & Sullivan conducted detailed primary research which involved discussing the status of the industry with certain leading industry participants and conducting interviews with relevant parties. Frost & Sullivan also conducted secondary research which involved reviewing company reports, independent research reports and data based on its own research database. Frost & Sullivan obtained the figures for the estimated total market size from historical data analysis plotted against macroeconomic data as well as considered the above-mentioned industry key drivers. Its market engineering forecasting methodology integrates several forecasting techniques with the market engineering measurement-based system and relies on the expertise of the analyst team in integrating the critical market elements investigated during the research phase of the project. These elements primarily include expert-opinion forecasting methodology, integration of market drivers and restraints, integration with the market challenges, integration of the market engineering measurement trends and integration of econometric variables.

The Frost & Sullivan Report is compiled based on the following assumptions: (i) the social, economic and political environment of the globe and the PRC is likely to remain stable in the forecast period; and (ii) related industry key drivers are likely to drive the market in the forecast period.

OVERVIEW OF POWER GENERATOR SETS INDUSTRY

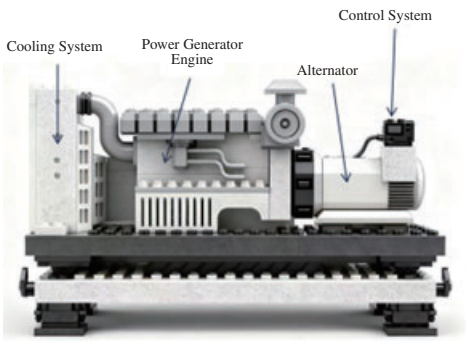
Introduction of Power Generator Sets

Power generator sets are comprehensive power generation assembly consisting of a power generator engine, an alternator, a control system, and auxiliary products. These auxiliaries encompass essential components such as the cooling, fuel supply, and exhaust systems. The power generator engine functions as the prime mover, converting the chemical energy of fuel into mechanical energy, which is subsequently transformed into electrical energy by the alternator. The control system and auxiliary products ensure stable and efficient operation under varying load conditions. Power generator sets are primarily deployed for standby power, emergency power supply, and distributed generation systems. They are widely utilized in scenarios demanding uninterrupted and stable power supplies, such as data centers, distributed power stations, and infrastructure.

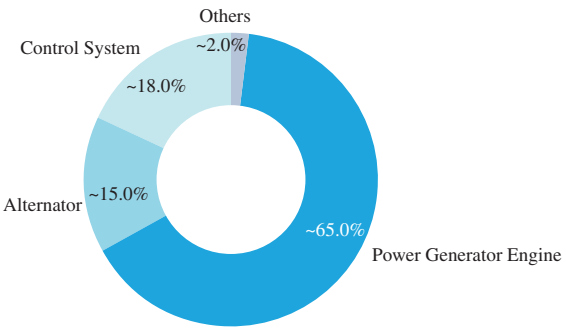
In the cost structure of power generator sets, the power generator engine serves as the core component and accounts for the highest component cost of BOM (bill of materials), typically representing approximately 65% of the total BOM. The power generator engines industry is technology intensive. The engine design and manufacturing require critical technologies, including structural design, combustion control, thermal efficiency optimization, precision machining, and material innovation. These technologies directly determine the operational reliability, energy efficiency, and environmental emission performance of the power generator sets, constituting the product's core competitive advantage.

Key Components and Cost Structure of Power Generator Sets

Key Components of Power Generator Sets



Cost Structure of Power Generator Sets



Source: China Internal Combustion Engine Industry Association (CICEIA), Frost & Sullivan

Value Chain of Power Generator Sets

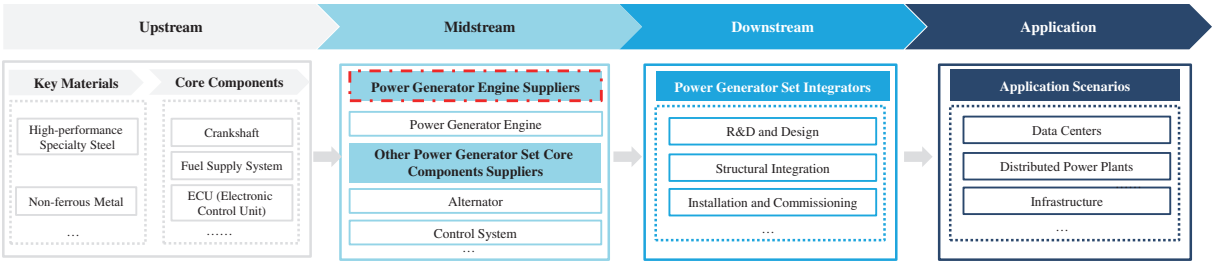
The upstream of the power generator set value chain primarily involves the supply of key materials and core components. Key materials include high-performance specialty steels and non-ferrous metals, the properties of which directly determine the structural integrity, thermal resistance, and corrosion resistance of the units. Core components encompass essential parts such as crankshafts, fuel supply systems, electronic control units (ECUs) and others, all of which are pivotal factors influencing the overall performance and reliability of the final product.

The midstream of the value chain is dominated by suppliers of power generator engine, alternator, control system, and other components. As the core power unit of the power generator set, the power generator engine directly determines the output power, fuel economy, and operational stability of the entire machine. This segment is characterized by high technical and capital barriers, resulting in significant market concentration.

The downstream of the industry primarily consists of OEMs, who are power generator set integrators responsible for R&D and design, structural integration, and installation and commissioning. Because these OEMs utilize power generator engines as core components, they represent the primary customer base for power generator engine manufacturers. The core expertise of this segment involves the seamless integration of key modules, such as the engine, alternator, and control system, into power generator sets through precise power matching, structural optimization, and electronic control system integration to satisfy diverse application requirements.

Power generator sets are widely used in various industries such as data centers, distributed power stations, and infrastructure. These fields have extremely high requirements for power continuity and reliability, driving continuous innovation in power generator sets redundancy design, remote monitoring, and intelligent operation and maintenance.

Value Chain of Power Generator Sets Industry



Source: CICEIA, Frost & Sullivan

OVERVIEW OF POWER GENERATOR ENGINES INDUSTRY — DIESEL, GAS AND NEW FUEL ENGINES

Introduction of Power Generator Engines Industry

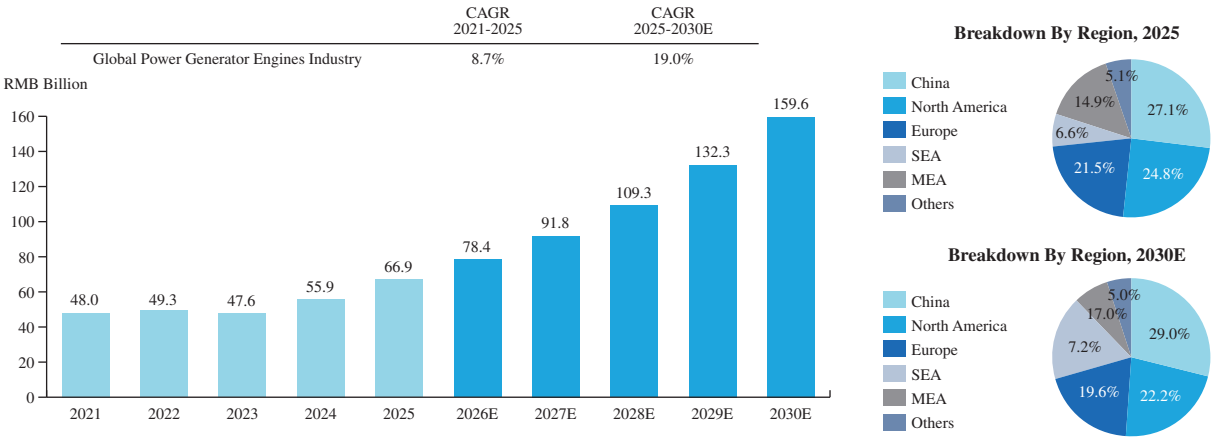
Power generator engines primarily include diesel engines, gas engines, and new fuel engines in terms of fuel type. Among these, diesel engines utilize compression ignition and are characterized by high reliability, thermal efficiency, and relatively low fuel consumption. They are widely used in industries demanding high power and durability, such as data centers, distributed power stations, and infrastructure. Diesel power generator engines accounted for over 80% of the total power generator engine market share in terms of sales revenue in 2025. Gas engines, fueled by natural gas, coalbed methane, or synthesis gas from oil fields, operate on spark ignition. They offer advantages in clean emissions and low operating costs, primarily serving distributed energy generation systems. New fuels represent the industry's green transition, mainly including low-carbon or potential zero-carbon fuel power systems like methanol, hydrogen and ammonia.

The key performance metrics of power generation engines primarily include power output, cylinder bore, and displacement. Based on power output and related metrics, these engines can be classified into medium- to light-duty engines which have power output below 500 kW, heavy-duty engines which have power output between 500 and 1,500 kW, and large engines which have power output above 1,500 kW. Medium- to light-duty engines are characterized by their compact design, rapid startup and load response capabilities, and lower overall maintenance and operational costs. These advantages make them suitable for telecom base stations, infrastructure, and public safety and emergency response scenarios such as firefighting, disaster relief, and water conservancy. Heavy-duty engines balance high output power with fuel economy and are extensively used in infrastructure, construction, real estate, and animal husbandry, as well as mainstream generator sets. Large engines provide high power output for use cases with extremely stringent requirements on stability, vibration control, and energy efficiency, such as data centers, distributed power stations, financial institutions, and high-end manufacturing, as well as mining and oil & gas exploration.

Market Size of Power Generator Engines Industry

In terms of revenue, the global power generator engines market grew from RMB48.0 billion in 2021 to RMB66.9 billion in 2025, representing a CAGR of 8.7%. The global power generator engines market has experienced steady growth, driven by robust demand from downstream applications such as data centers, distributed power stations, and infrastructure. Supported by ongoing product technological upgrades and increasing demand growth from downstream applications, the global power generator engines market is expected to reach RMB159.6 billion by 2030, representing a CAGR of 19.0% from 2025 to 2030. Within this expanding market and the broader power generator engines industry, diesel remains the predominant fuel source. Despite the global energy transition, the clean-energy engines market is projected to grow modestly from RMB9.2 billion in 2025 to only RMB10.8 billion by 2030, with a CAGR of 3.2%. This stark contrast underscores the resilience and continued market dominance of diesel power solutions for the foreseeable future.

Market Size of Global Power Generator Engines Industry, 2021–2030E



Source: CICEIA, Frost & Sullivan

Note: This market size refers to the total revenue generated from the sale of standalone power generator engines (comprising diesel, gas, and new fuel types), excluding intra-group transfers and captive consumption for downstream power generator sets.

Benefiting from the rapid global development of artificial intelligence (AI) technology, the proliferation of distributed power stations applications, and the ongoing advancement of infrastructure, China's power generator engines industry has shown rapid growth. The market size increased from RMB10.8 billion in 2021 to RMB18.1 billion in 2025, with a CAGR of 13.8%. Driven by the surging demand for computing power in data centers, the market size for power generator engines in China is projected to grow at a CAGR of 20.7% from RMB18.1 billion in 2025 to RMB46.3 billion in 2030.

Market Drivers and Developing Trends of Power Generator Engines Industry

Sustained Growth in Downstream Market Demand

With the continuous growth of AI demand, computing power requirements have significantly increased. The power density per rack in AI data centers (AIDCs) has risen from less than 10kW to over 60kW, exceeding 120kW in some scenarios. This necessitates power generator engines that support higher power output and millisecond-level response capabilities. Concurrently, power generator engines provide crucial backup power for AIDCs, meeting the reliability, timeliness, and emergency response capabilities required by data centers. According to International Energy Agency (IEA), global electricity consumption by data centers was approximately 415TWh in 2024 and is expected to double to 945TWh by 2030, providing stable and sustained demand for power generator engines. In the global power generator engines market, the share attributable to data center applications rose significantly from 28.2% in 2021 to 57.2% in 2025, with corresponding revenues increasing rapidly from RMB13.5 billion to RMB38.2 billion over the same period, and it's expected to reach RMB107.3 billion in 2030, with a CAGR of 22.9% from 2025 to 2030. Meanwhile, IEA data also indicates that about 730 million people worldwide still lack access to reliable electricity. Traditional centralized power supply models struggle to address this need due to weak adaptability and high coverage costs. In contrast, distributed power stations, with their core advantages of flexible deployment, proximity to users, and controllable costs, can effectively fill the electricity supply gap, aligning with global energy accessibility needs and market growth opportunities. The continuous growth in global infrastructure demand and ongoing investment in infrastructure by countries worldwide provide a solid demand foundation for the power generator engines industry. Data from the Global Infrastructure Hub shows that infrastructure investment across 56 countries, including China and the US, increased from USD2.4 trillion in 2020 to USD2.6 trillion in 2024 and is expected to reach USD2.8 trillion by 2030. The expansion of infrastructure scale directly drives the demand for mobile and backup power for construction and facility operations.

Rise of China's Brands

At present, the global high-end data center power generator engines industry is dominated by leading overseas enterprises, presenting high technological and brand barriers. However, in an increasingly complex geopolitical environment, the stability of overseas supply chains has declined, leading to significantly extended delivery cycles for imported equipment. This has created an important development window for domestic manufacturers. With the accelerated growth of the AI industry, bottlenecks in overseas equipment supply have become more pronounced. Coupled with persistently rising supply chain uncertainties due to geopolitical factors, domestic large engine manufacturers are poised to seize opportunities arising from unmet market demand and accelerate import substitution. In addition, China's internal combustion engine export value achieved rapid expansion from 2021 to 2025, with export value increasing from USD5.2 billion in 2021 to USD6.8 billion in 2025, gradually increasing its global share. The localization of power generator engines presents vast market opportunities for domestic enterprises.

Favorable Policies

In recent years, the PRC government has promulgated a series of favorable policies, injecting strong momentum into the continuous high-quality development of the power generator engines and equipment industry while charting a clear path for its high-end and intelligent evolution, with a core focus on significantly improving energy efficiency and reducing carbon emissions. On the one hand, driven by the deepening implementation of the "Work Plan for Stable Growth of the Electric Equipment Industry (2025-2026)" (《電力裝備行業穩增長工作方案(2025–2026年)》) and policies promoting large-scale equipment upgrades, financial instruments such as ultra-long-term special treasury bonds have been directly deployed to support the upgrade and replacement of existing equipment in the energy and power sectors, thereby securing massive and steady replacement orders for the industry. On the other hand, the "Negative List for Market Access (2025 Edition)" (《市場准入負面清單(2025年版)》) and increasingly stringent energy consumption quota standards have accelerated the phase-out of outdated, high-energy-consuming generating units, compelling market demand to pivot towards high-efficiency, low-carbon, and compliant equipment. Concurrently, the "Guidance on Promoting the High-Quality Development of Energy Equipment" (《關於推進能源裝備高質量發展的指導意見》) and the pilot programs for the construction of new-type power systems are actively steering power generation equipment towards core technological breakthroughs in wide-load energy efficiency, high flexibility, and intelligent control, accelerating the large-scale commercialization of new-generation units. Coupled with the incremental demand for stable and reliable standby and distributed power generation units catalyzed by the construction of an energy-efficient and low-carbon computing power network under the "East Data, West Computing" (東數西算) project, the power generator engines industry is poised to embrace a historic development opportunity characterized by robust expansion on both the supply and demand sides, underpinned by the resonance of multi-dimensional policy dividends including financial support, standard-driven upgrades, technological advancement, and new infrastructure expansion.

Entry Barriers of Power Generator Engines Industry

The power generator engine industry is characterized by formidable technological and certification, brand and reputation, and capital barriers that favor established market leaders. Achieving the critical balance between high power density, thermal efficiency, and stringent global emission standards requires deep expertise in high-efficiency energy conversion and intelligent systems, alongside costly international certifications such as CE, UL, and CSA. Beyond technical mastery, the industry relies heavily on proven reliability and brand equity, as customers in mission-critical sectors like data centers prioritize verified operational track records over new market entrants. Furthermore, the capital-intensive nature of high-precision manufacturing and R&D necessitates massive initial investment and scale to optimize cost structures. These multifaceted entry requirements create a high-threshold environment where leading enterprises leverage their integrated technological advantages and deep-rooted customer trust to consolidate market dominance.

Challenges of Power Generator Engines Industry

The global power generator engine industry is undergoing a profound transformation driven by technological convergence, shifting demand cycles, and a reshaped competitive landscape. As the industry pivots toward higher thermal efficiency, low-carbon fuel compatibility, and intelligent O&M, traditional players face dual pressures from rising R&D costs and the energy transition. While renewable energy and macroeconomic cycles squeeze traditional standby markets, the surge in AI-driven data centers and high-reliability industrial needs are fueling growth in high-density power solutions. This has triggered a shift from Western brand dominance to a fierce global competition featuring Chinese enterprises, where success now depends on system integration and life-cycle services rather than standalone product performance, ultimately leading to increased market consolidation and a "survival of the fittest" environment for smaller manufacturers.

Competitive Landscape of China's Power Generator Engines Industry

Regarding the competitive landscape, there are currently fewer than 50 players in the PRC power generator engine industry, presenting a highly concentrated and oligopolistic market. In the PRC medium- and high-speed marine engine market, there are currently around 20 core players that have entered the mass production stage. The current China's power generator engines market is concentrated, with high-power and high-value products clustered among leading enterprises. In 2025, the top five providers of power generator engines in China accounted for a combined market share of approximately 62.4% of the total market. Among them, the Company ranked first in the industry, accounting for a 22.3% share of the Chinese power generator engines market.

Top 5 Power Generator Engines Providers in China, 2025

Ranking	Company	Sales Revenue (RMB Billion)	Market Share (%)
1	**the Company**	**4.0**	**22.3%**
2	Company A	~2.3	12.9%
3	Company B	~2.2	12.4%
4	Company C	~1.6	8.7%
5	Company D	~1.1	6.2%
	Top 5	**~11.3**	**62.4%**
	Total	**18.1**	

Source: CICEIA, Frost & Sullivan

Notes:

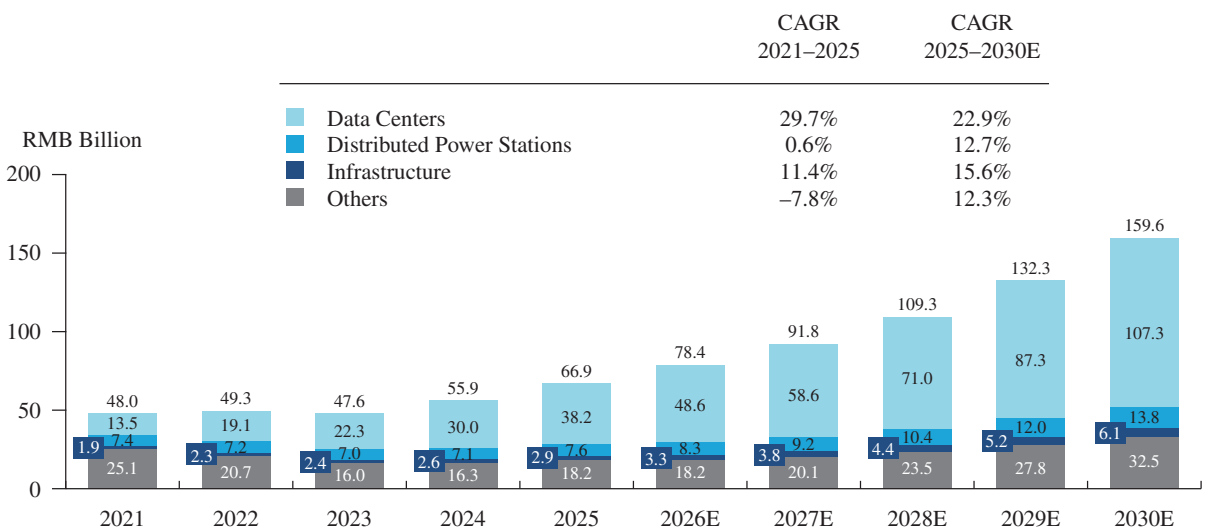
1. Sales revenue refers to the total revenue generated from the sale of a standalone power generator engine, excluding intra-group transfers and captive consumption for downstream power generator sets.
2. "China" refers to Chinese mainland only.
3. Company A, founded in 1946 and headquartered in China, is listed on the Shenzhen Stock Exchange and Hong Kong Stock Exchange. It is primarily engaged in the R&D, manufacturing, and sales of products across various sectors, including power systems, commercial vehicles, agricultural equipment, construction machinery, and smart logistics.
4. Company B, founded in 1919 and headquartered in the United States, is listed on the New York Stock Exchange (NYSE). It mainly specializes in the R&D, production, and service of power systems such as engines, powertrains, and hydrogen power.
5. Company C, founded in 1909 and headquartered in Germany, primarily focuses on the R&D, production, and sales of industrial power equipment, including high-power diesel engines, gas engines, and power generator sets.
6. Company D, founded in 1925 and headquartered in the United States, is listed on the NYSE. It is mainly engaged in the R&D and manufacturing of construction machinery, diesel and gas power systems, and energy equipment.

Market Size of Global Power Generator Engines Market by Core Applications

The explosive growth in global computing demand, driven by advancements in artificial intelligence and big data, has positioned data centers as critical digital infrastructure. By 2030, global AI server shipments are projected to reach approximately 6.5 million units, representing a 3.3-fold

increase from 2024 levels and reflecting a robust CAGR of 21.7%. This unprecedented expansion has escalated demands for enhanced power load capacity and supply reliability, establishing power generator engines as essential backups to mitigate grid fluctuations, power rationing, or sudden outages. Renowned for their superior efficiency, reliability, rapid response, and durability, these engines deliver stable output under diverse conditions, making them ideal for emergency backups, remote power supply, and industrial applications. With strong fuel efficiency, low maintenance costs, and extended service life, they are indispensable in regions with energy constraints or unstable grids. As the data center industry shifts from basic hosting to AI computing hubs, the amplified requirements for AIDCs, including ultra-high power density, reliable supply, and advanced cooling systems, further underscore the vital role of power generator engines as a dependable backup energy source. This surge in data center expansion serves as the direct and primary driver behind the robust growth in the global power generator engines market, where the share attributable to data center applications rose from 28.2% in 2021 to 57.2% in 2025, with corresponding revenues increasing from RMB13.5 billion to RMB38.2 billion over the same period. Fueled by ongoing advancements in AI and big data, this market share is anticipated to reach approximately 67.2% by 2030, translating to revenues of approximately RMB107.3 billion. Simultaneously, as the global power shortage increase, distributed power stations are expanding steadily as a vital supplement to the power grid. The market size of power generator engines for distributed power stations grew from RMB7.4 billion in 2021 to RMB7.6 billion in 2025. By 2030, supported by energy security strategies, the market size is expected to reach RMB13.8 billion. Furthermore, sustained investment in global infrastructure provides a stable market for both installed and incremental demand. The market size of power generator engines for infrastructure grew from RMB1.9 billion in 2021 to RMB2.9 billion in 2025, with a CAGR of 11.4%. And it is projected to reach RMB6.1 billion by 2030.

Market Size of Global Power Generator Engines Industry by Core Applications, 2021–2030E



Source: CICEIA, Frost & Sullivan

Note: The market size refers to the total revenue generated by the sale of power generator engines in different applications.

OVERVIEW OF MARINE ENGINES INDUSTRY — MEDIUM- AND HIGH-SPEED MARINE ENGINES

Introduction and Classification of Marine Engines

Marine engines encompass specialized internal combustion systems purpose-built for vessel main propulsion and auxiliary power generation. The industry fundamentally categorizes into two primary segments: low-speed marine engines, and medium- and high-speed marine engines. Low-speed marine

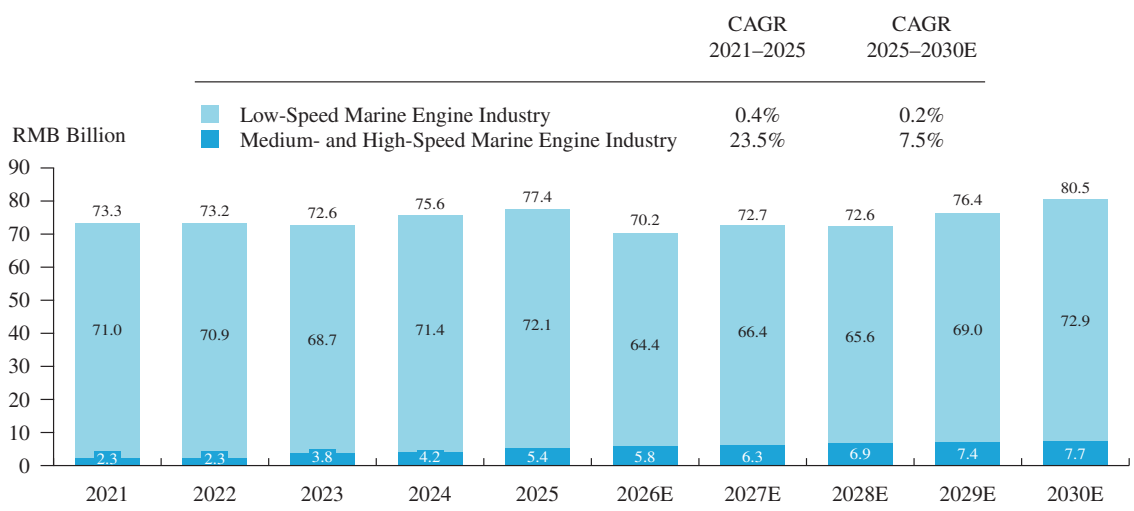
engines typically operate at crankshaft speeds below 300 rpm. Specifically engineered for high-power, long-endurance, and continuous steady-load conditions, these systems serve waves of international trade primarily as the main propulsion engines for large-scale ocean-going vessels, including bulk carriers, tankers, and container ships. Medium- and high-speed marine engines refer to integrated technical systems with a rated speed exceeding 300 r/min, specifically engineered for vessels operating in inland and coastal environments. Within this category, medium-speed engines with speeds ranging from 300 r/min to 1,000 r/min typically drive propellers through reduction gearboxes or serve as generator sets. Given their balanced technical performance and versatility, these engines are widely utilized as main engines for inland, coastal and engineering vessels. High-speed engines with speeds exceeding 1,000 r/min are distinguished by their compact size and lightweight design, and are primarily deployed for the propulsion or power supply of naval vessels, high-speed crafts, governmental vessels, and medium-sized engineering vessels. Medium-speed engines have become the preferred power solution for medium-to-large vessels, such as ocean-going transport ships and offshore engineering vessels.

Within the marine engine industry, low-speed and medium- to high-speed engines diverge fundamentally across technical, operational, and commercial dimensions. Technically, low-speed engines utilize direct-drive configurations optimized for the high thermal efficiency demanded by large ocean-going vessels, whereas medium- and high-speed engines employ reduction gearboxes to achieve compact, highly maneuverable designs suited for inland and coastal applications. Commercially, the massive scale of low-speed engines dictates higher technical thresholds, per-unit values, and market concentration. Consequently, given these profound differences in engineering, application scenarios, and market dynamics, these two engine types cater to separate customer bases and function as entirely distinct, non-interchangeable product segments.

Market Size of Marine Engines Industry

The market size of the global marine engines industry demonstrated stable resilience, recovering from RMB73.3 billion in 2021 to RMB77.4 billion in 2025. Within this landscape, low-speed marine engines consistently occupy the dominant market share, accounting for over 90% of the total market value, driven by sustained baseline demand for large commercial fleets. Looking ahead, driven by the dual forces of steady global trade growth and stringent low-carbon transition policies, the industry is poised for a new cycle of technological upgrades and fleet renewals. The global green shipping trend is accelerating the shift toward higher engine efficiency and cleaner alternative fuels, stimulating robust demand for both new installations and retrofits. Consequently, the overall market size is projected to expand steadily, reaching approximately RMB80.5 billion by 2030.

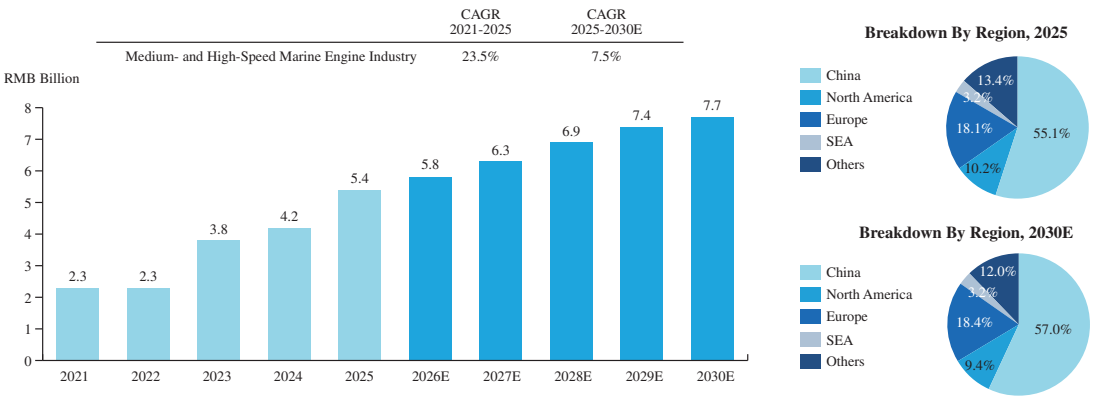
Market Size of Global Marine Engines Industry, 2021–2030E



Source: Clarksons, CICEIA, Frost & Sullivan

The market size of medium- and high-speed marine engines increased substantially from RMB2.3 billion in 2021 to RMB3.8 billion in 2023. This robust growth was primarily driven by the strong global macroeconomic recovery, the explosive rebound in tourism and coastal transportation demand, as well as the rapid development of coastal industries such as offshore wind power. These factors spurred a significant increase in orders for ferries, tourist vessels, workboats and offshore support vessels, thereby further expanding the market size to approximately RMB5.4 billion in 2025. Looking ahead, driven by the dual forces of steady global trade growth and additional low-carbon transition policies, the industry is poised for a new cycle of technological upgrades and product enhancements. The green shipping trend is pushing engine development toward higher efficiency and cleaner emissions, further stimulating demand for both new installations and retrofits. By 2030, the global market size is projected to reach RMB7.7 billion, with a forecasted CAGR of 7.5% from 2025 to 2030.

Market Size of Medium- and High-Speed Marine Engines Industry, 2021–2030E



Source: Clarksons, CICEIA, Frost & Sullivan

Note: The market size refers to the total revenue generated by the sale of medium- and high-speed marine engines.

Within the global growth landscape, China continues to act as a core growth engine. The Chinese market grew from approximately RMB1.4 billion in 2021 to RMB3.0 billion in 2025, achieving a CAGR of 20.5%. It is anticipated that the market size in China will further expand to RMB4.4 billion by 2030, representing an accelerated CAGR of 8.2% from 2025 to 2030. China's strong performance is anchored by its dominant position in the global shipbuilding industry and its proactive investment in the transition toward green propulsion technologies.

Market Drivers and Developing Trends of Medium- and High-Speed Marine Engines Industry

Technological Innovation Leading to Product Upgrades

The marine engine industry is undergoing sustained technological upgrading. Conventional fuel-based propulsion technologies continue to improve efficiency and reduce emissions via combustion optimization and reduced mechanical losses. Simultaneously, low- and zero-carbon technologies are accelerating, with dual-fuel engines, ammonia and hydrogen systems, and intelligent control becoming key R&D priorities. Medium-speed engines are emerging as a vital direction due to their strong fuel adaptability. In parallel, high-speed engines are evolving toward higher strength, lightweight designs, and intelligent operation to meet the rigorous reliability demands of large vessels and power generation.

Dual Drivers of Policies and Environmental Regulations

Driven by tightening global low-carbon regulations, the marine engines industry is accelerating its green transition. Participants are intensifying the deployment of low-carbon technologies, with alternative clean fuels such as hydrogen, ammonia, and methanol emerging as key strategic directions. Simultaneously, stricter standards are accelerating global fleet renewal. In August 2024, the "Implementation Rules for Subsidies for the Scrapping and Renewal of Old and Used Transport Vessels" (《交通運輸老舊營運船舶報廢更新補貼實施細則》) were released, which provided financial incentives for the retirement of obsolete vessels and encouraged the adoption of new-energy or clean-energy-powered vessels to meet environmental requirements. Additionally, the "Action Plan for Green Development of the Shipbuilding Industry (2024–2030)" (《船舶製造業綠色發展行動綱要(2024–2030年)》) sets clear targets, including achieving a market share exceeding 50% in the international market for LNG- and methanol-powered vessels by 2025, and establishing a comprehensive green development framework by 2030.

Entry Barrier of Medium- and High-Speed Marine Engines Industry

The medium- and high-speed marine engines industry has technical barrier that demands mastery of core technologies such as large-bore designs, high-speed operation, and high-efficiency combustion control, capabilities that incumbents have validated over the years. This is compounded by talent barrier, as the industry requires multidisciplinary expertise spanning marine propulsion, mechanical design, electronic control systems, and intelligent manufacturing, which newcomers struggle to assemble quickly compared to leaders with global R&D networks. Furthermore, cost advantage barrier exists where established players leverage integrated industrial eco-systems and modular manufacturing processes to achieve economies of scale, whereas entrants face high fixed investments and R&D expenditures without initial volume. Finally, certification barrier mandates complex approvals from classification societies like DNV, RS, VR, and CCS; this rigorous process favors established firms with robust quality systems over entrants lacking the necessary documentation and experience to gain market access.

Challenges of Medium- and High-Speed Marine Engines Industry

The industry faces multifaceted challenges, beginning with environmental regulatory challenges where tightening standards compel enterprises to address compliance costs and transition roadmaps toward LNG, green methanol, and green ammonia to meet the International Maritime Organization (IMO) 2050 Net-Zero Emission target and EU's FuelEU Maritime. This shift introduces significant cost challenges, as green vessels demand higher initial investments: construction costs for LNG-powered vessels are approximately 40% higher than diesel equivalents, while methanol dual-fuel Very Large Crude Carriers (VLCCs) have increased by about 20%. Furthermore, infrastructure challenges remain a critical bottleneck; as of 2025, only 35 methanol bunkering ports are planned globally compared to 276 established LNG bunkering ports, with facilities for hydrogen and ammonia being even more scarce. This insufficient infrastructure creates a deadlock, deterring shipowners from investing in new vessels while investors hesitate to build facilities without guaranteed demand.

Competitive Landscape of China's Medium- and High-speed Marine Engines Industry

The medium- and high-speed marine engine market in China is highly concentrated, characterized by fewer than 20 core industry participants. The top three providers of medium- and high-speed marine engines in China collectively accounted for approximately 57.0% of the total market share. Among them, the Company ranked second in the industry with sales revenue of RMB530.0 million, representing approximately 17.9% of the China's marine engines industry.

Top 3 Medium- and High-speed Marine Engines Providers in China, 2025

Ranking	Company	Sales Revenue (RMB Million)	Market Share (%)
1	Company A	~745	25.2%
2	**the Company**	**530**	**17.9%**
3	Company E	~410	13.9%
	Top 3	**~1,685**	**57.0%**
	Total	**2,955**	

Source: International Council on Combustion Engines (CIMAC), CICEIA, Frost & Sullivan

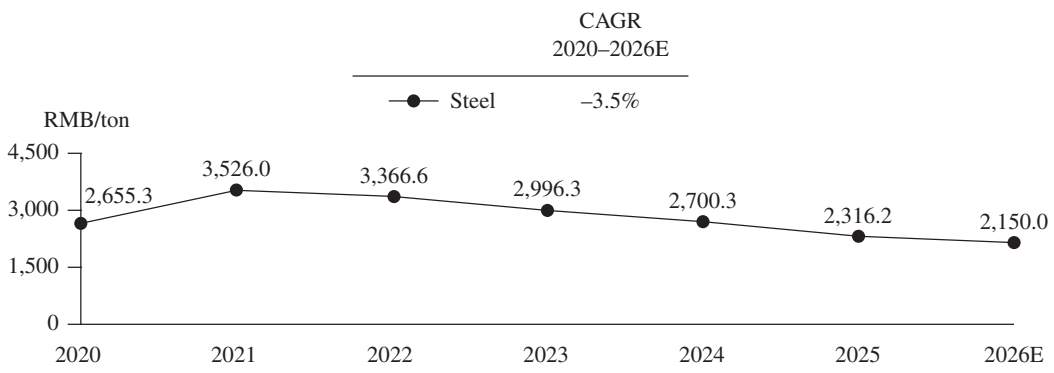
Notes:

1. Sales revenue refers to the total revenue generated by the sale of medium- and high-speed marine engines.
2. "China" refers to Chinese mainland only.
3. Company A was established in 1946 and headquartered in China, is listed on the Shenzhen Stock Exchange and Hong Kong Stock Exchange. It is primarily engaged in the R&D, manufacturing, and sales of products across various sectors, including power systems, commercial vehicles, agricultural equipment, construction machinery, and smart logistics.
4. Company E was established in 1970 and headquartered in China. The company is primarily engaged in the research, development, manufacturing, and servicing of power systems, including high-power medium-speed marine diesel engines, gas engines, dual-fuel engines, and generator sets.

RAW MATERIAL PRICE ANALYSIS

Steel is a critical raw material in the manufacturing of power generator engines, widely used in the production and processing of core structural components such as crankshafts, connecting rods, and engine blocks. Historically, the average price of steel exhibited a downward trend, decreasing from RMB3,526.0 per ton in 2021 to RMB2,316.2 per ton in 2025. This decline was primarily driven by shifting supply-demand dynamics and fluctuations in underlying cost factors. On the demand side, a broader macroeconomic deceleration led to a softening of downstream market demand, thereby exerting downward pressure on overall steel consumption. Concurrently, on the supply side, the gradual normalization of global supply chains enhanced the stability of upstream raw material supplies. Consequently, prices for key raw materials, notably iron ore and coking coal, declined significantly. This reduction in production costs further suppressed overall steel prices. Looking forward, while steel prices are ultimately expected to stabilize as supply and demand rebalance and raw material volatility moderates, the prevailing downward trajectory is anticipated to persist in the near term, with average steel prices projected to reach approximately RMB2,150.0 per ton in 2026.

Prices Analysis of Steel, 2020–2026E



SOURCE: Wind, Baiinfo, ifind, Frost & Sullivan

REGULATIONS ON COMPANIES

Company Law

Under the Company Law of the People's Republic of China (《中華人民共和國公司法》) (the "**Company Law**"), companies are generally classified into two categories, namely, limited liability companies and joint stock limited companies. The major amendments to the latest Company Law, which came into effect on July 1, 2024, include improving the company establishment and exit regime, optimizing the organizational structures of companies, improving the capital system of companies, strengthening the responsibilities of controlling shareholder and management, and reinforcing the corporate social responsibilities, among others.

REGULATIONS ON FOREIGN INVESTMENT

Foreign Investment Law

According to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "**Foreign Investment Law**"), "foreign investment" means the investing activities within China directly or indirectly conducted by foreign natural persons, enterprises, and other organizations (hereinafter referred to as "foreign investors"), including the following circumstances: (i) a foreign investor forms a foreign-funded enterprise within China alone or jointly with any other investor, (ii) a foreign investor acquires any shares, equities, portion of property, or other similar interest in an enterprise within China, (iii) a foreign investor invests in any new construction project within China alone or jointly with any other investor, and (iv) investment in any other manner as specified by a law or administrative regulation or the State Council. The Regulation for Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which came into effect on January 1, 2020, further requires that foreign-invested enterprises (the "**FIEs**") and domestic enterprises be treated equally with respect to policy making and implementation.

On December 30, 2019, the MOFCOM and the SAMR jointly issued the Measures for Reporting of Foreign Investment Information (《外商投資信息報告辦法》) (the "**Foreign Investment Information Measures**"), and replaced the Interim Administrative Measures for the Record-filing of the Establishment and Modification of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》). Starting from January 1, 2020, foreign investors or FIEs in the PRC shall submit information relating to their investment through the Enterprise Registration System and the National Enterprise Credit Information Publicity System established by the SAMR by submitting initial reports of establishment, reports on changes to the investment, reports on termination of the investment and annual investment reports in accordance with the Foreign Investment Information Measures.

REGULATIONS ON PRODUCT QUALITY

According to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the "**Product Quality Law**"), all production and marketing activities within the territory of the PRC shall comply with the Product Quality Law. Producers and sellers shall have their own proper regulations for the management of product quality, rigorously implementing post-oriented quality regulations, quality liabilities and relevant measures for their assessment. Producers shall be responsible for the quality of products they produce. Quality of products shall meet the following requirements: (i) products shall be free from any irrational dangers threatening the safety of people and property. If there are national standards or trade standards for ensuring the health of the human body and safety of lives and property, the products shall conform to such standards; (ii) products shall have the property they are due to have, except cases in which there are explanations about the defects of the property of the products; and (iii) products shall tally with the standards prescribed or specified on the packages and with the quality specified in the instructions for use or shown in the providing samples.

According to the Civil Code of the PRC (《中華人民共和國民法典》) (the "**Civil Code**"), in the event of damages caused to others due to the defects in a product, the infringed party may seek compensation from the producer or the seller of such product and shall have the right to request the producer and the seller to assume tortious liability, such as cessation of infringement, removal of obstruction, and elimination of danger.

REGULATIONS ON PRODUCT SAFETY

According to the Production Safety Law of the PRC (《中華人民共和國安全生產法》) (the "**Production Safety Law**"), a production and operation entity must comply with the Production Safety Law and other laws and regulations related to work safety, strengthen work safety management, establish and improve a work safety responsibility system and work safety rules and systems for all employees, increase efforts to guarantee the input of funds, materials, technology, and personnel in work safety, improve work safety conditions, strengthen standardization and informatization of work safety, construct a dual prevention mechanism consisting of graded management and control of safety risks and examination and control of potential risks, improve the risk prevention and resolution mechanism, raise work safety levels, and ensure work safety. Business entities shall meet the work safety conditions prescribed by the Production Safety Law and other relevant laws, administrative regulations, and national or industry standards. Business entities not meeting such conditions shall not be engaged in production and other business activities.

REGULATIONS ON ENVIRONMENTAL PROTECTION AND FIRE SAFETY

Environmental Protection Law

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the environmental protection administrative department of State Council is authorized to issue national standards for environmental quality and discharge of pollutants, and to exercise unified supervision and administration over environmental protection scheme of the PRC. Enterprises, public institutions, and other businesses shall prevent and reduce environmental pollution and ecological disruption, and assume liabilities for damage caused by them.

Water Pollution

According to the Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》), discharge of water pollutants shall be within the state or local standards for the discharge of water pollutants and indicators for the total discharge control of major water pollutants. The facilities for the prevention and control of water pollution in a construction project shall be designed, constructed and put into use with the principal part of the project at the same time. The facilities for the prevention and control of water pollution shall comply with the requirements of the environmental impact assessment documents granted approval or recordation.

Atmospheric Pollution

According to the Atmospheric Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》) (the "**Atmospheric Pollution Prevention and Control Law**"), enterprises and public institutions discharging the toxic and hazardous atmospheric pollutants listed in the directory as mentioned in the first paragraph of Article 78 shall establish an environmental risk early warning system conduct regular monitoring over discharge outlets and neighboring environment, assess the environmental risks, eliminate hidden environmental safety problems, and take effective measures to prevent environmental risk according to Article 78 of the Atmospheric Pollution Prevention and Control Law. In addition, enterprises, institutions and other production and operation units constructing projects that have an impact on the atmospheric environment shall carry out environmental impact assessment and make environmental impact assessment documents public in accordance with the law.

Solid Wastes

According to the Law of the PRC on the Prevention and Control of Environmental Pollution Caused by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), any entity or individual shall adopt measures to reduce solid waste generation, promote the comprehensive utilization of solid wastes, and diminish the harmfulness of solid wastes, and shall be responsible for the environmental pollution caused in accordance with the law. An entity that generates industrial solid waste shall obtain a pollutant discharge permit.

Noise Pollution

According to the Law of the PRC on Noise Pollution Prevention and Control (《中華人民共和國噪聲污染防治法》), an enterprise, public institution, or any other producer or business operator which emits industrial noise shall take effective measures to reduce vibration and noise, and obtain a noise emission permit or complete a noise emission registration form in accordance with the law.

Pollutant Discharge Permits

According to the Regulation on the Administration of Permitting of Pollutant Discharges (《排污許可管理條例》), an enterprise, a public institution, or any other producer or operator which is subject to the administration of permitting of pollutant discharges under the law shall apply for a pollutant discharge permit under the provisions of this regulation; and may not discharge pollutants, if a pollutant discharge permit fails to be obtained.

Environmental Impact Assessment

According to the Law of the PRC on Environmental Impact Assessment (《中華人民共和國環境影響評價法》) and the Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》) promulgated by the State Council, the PRC implements an environmental impact assessment system for construction projects. Before the commencement of a construction project, the construction entity shall submit an environmental impact statement or an environmental impact report form for approval, or file an environmental impact registration form for recordation in accordance with the provisions of the environmental protection administrative department of the State Council. After the completion of the construction project for which an environment impact report or an environment impact statement was prepared, the construction unit shall, in accordance with the standards and procedures formulated by competent administrative department for environment protection under the State Council, conduct inspection and acceptance of the ancillary environment protection facilities, and prepare an inspection and acceptance report. If an enterprise violates the aforesaid laws and regulations, the environmental protection administrative departments at the county level or above may order it to suspend production or construction, impose a fine and order it to conduct restoration.

Fire Safety

According to the Fire Protection Law of the People's Republic of China (《中華人民共和國消防法》), the emergency management department of the State Council and the emergency management department under the local people's governments at or above the county level shall supervise and administrate fire protection work. Fire protection design and construction in respect of construction projects must comply with national technical standards for fire protection in construction projects.

According to the Interim Provisions on the Administration of Fire Protection Design Review and Acceptance of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) last amended by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部), fire protection design review and acceptance shall be carried out for special construction projects. With respect to the construction projects other than special construction projects, the fire protection acceptance of construction projects shall be filed with the competent authorities.

REGULATIONS ON IMPORT AND EXPORT GOODS

Foreign Trade Law

According to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》), PRC allows the free import and export of goods and technology, unless it is otherwise provided for by any law or administrative regulation. The foreign trade department of the State Council may, where the monitoring of import and export so requires, employ the system of automatic license of import and export to some of the freely imported and exported goods, and publish the catalog thereof.

Import and Export Management

According to the Customs Law of the PRC (《中華人民共和國海關法》), the Provisions on the Recordation of Customs Declaration Entities of the (《中華人民共和國海關報關單位備案管理規定》), and the Provisions of the Customs of the PRC on Declaration of Imported and Exported Goods (《中華人民共和國海關進出口貨物申報管理規定》), the consignee or consignor of imported or exported goods may declare to the customs by itself or authorize the customs declaration enterprise to declare to the customs on behalf thereof. The consignee or consignor of imported or exported goods or the authorized customs declaration enterprise that plans to undergo declaration formalities at the customs shall legally undergo recordation formalities at the customs in advance.

Import and Export Commodity Inspection

According to the Regulations on the Administration of Import and Export of Goods of the PRC (《中華人民共和國貨物進出口管理條例》), the Import and Export Commodity Inspection Law of the PRC (《中華人民共和國進出口商品檢驗法》), and the Regulations for the Implementation of the Law of the PRC on the Inspection of Imported and Exported Commodities (《中華人民共和國進出口商品檢驗法實施條例》) promulgated by the State Council, the General Administration of Customs of the PRC (中華人民共和國海關總署) shall be responsible for inspection of commodities in the PRC. The entry-exit inspection and quarantine authorities shall conduct inspection on the import and export of commodities listed in the catalog and on the import and export of other commodities that shall be subject to the inspection by the entry-exit inspection authorities as prescribed bylaws and administrative regulations. For the imported and exported commodities other than those that are subject to inspection by the entry-exit inspection and quarantine authorities as mentioned above, the entry-exit inspection and quarantine authorities shall conduct random inspection in accordance with state regulations. Exported commodities subject to inspection may not be exported if they have not been inspected or fail to pass the inspection.

REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》) and the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), the China National Intellectual Property Administration (國家知識產權局) (the "**CNIPA**") is responsible for administering patent law in the PRC. The patent administration departments of provincial, autonomous regions or municipal governments are responsible for administering patent law within their respective jurisdictions. The Chinese patent system adopts a first-to-file principle, which means that when more than one person files different patent applications for the same invention, only the person who files the application first is entitled to obtain a patent of the invention. To be patentable, an invention or a utility model must meet three criteria, namely: novelty, inventiveness, and practicability. The protection period is 20 years for an invention patent and 10 years for a utility model patent and 15 years for a design patent, commencing from their respective application dates.

Trademark

According to the Trademark Law of the PRC (《中華人民共和國商標法》) (the "**Trademark Law**"), and the Implementation Regulations of the PRC Trademark Law (《中華人民共和國商標法實施條例》), the CNIPA handles trademark registrations. The CNIPA grants a ten-year term to registered trademarks and the term may be renewed for another ten-year period upon request by the trademark owner. A trademark registrant may license its registered trademarks to another party by entering into trademark license agreements, which must be filed with the CNIPA for its record. As with patents, the Trademark Law has adopted a first-to-file principle with respect to trademark registration. If a trademark applied for is identical or similar to another trademark which has already been registered or subject to a preliminary examination and approval for use on the same or similar kinds of products or services, such trademark application may be rejected. No application for trademark registration may infringe upon the existing prior rights of others, and bad-faith registration by illicit means of a trademark with a certain reputation already used by another party shall be prohibited.

Copyright

According to the Copyright Law of the PRC (《中華人民共和國著作權法》) and the Regulations for the Implementation of the Copyright Law of the PRC (《中華人民共和國著作權法實施條例》), works of Chinese citizens, legal persons or unincorporated organizations, i.e. intellectual achievements in the field of literature, art and science that are original and can be expressed in a certain form, whether published or not, are entitled to copyright in accordance with the law. Copyright includes a series of personal and property rights such as the right of publication, the right of authorship, the right of modification, the right to protect the integrity of the work and the right of reproduction. The term of protection of the right of publication in respect of a work of a legal person or unincorporated organization or a work created in the course of employment where the legal person or unincorporated organization enjoys the copyright (except the right of authorship) shall be 50 years, expiring on 31 December of the 15th year after the completion of its creation.

According to the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) and the Regulations on the Protection of Computer Software (《計算機軟件保護條例》), the National Copyright Administration shall be in charge of the administration of the registration of software copyright of the whole country, and the Copyright Protection Center of China (中國版權保護中心) is designated as the software registration authority which shall grant registration certificates to the computer software copyrights applicants. According to the Measures for the Registration of Computer Software Copyright and the Regulations on the Protection of Computer Software, software copyright shall arise on the date of completion of the software development. The term of protection of software copyright of legal persons or other organizations shall be 50 years, expiring on 31 December of the 15th year after the first publication of the software.

Domain Names

According to the Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》) (the "**Domain Name Measures**") promulgated by the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) (the "**MIIT**"), the MIIT oversees the administration of PRC internet domain names. The domain name registration follows a first-to-file principle. Applicants for registration of domain names must provide the true, accurate, and complete information of their identities to domain name registration service institutions. The applicants will become the holder of such domain names upon the completion of the registration procedure.

REGULATIONS ON REAL ESTATE MANAGEMENT

State-Owned Land

According to the Land Administration Law of the PRC (《中華人民共和國土地管理法》) and the Regulations on the Implementation of the PRC Land Administration Law (《中華人民共和國土地管理法實施條例》), the land in the PRC is owned by the state or collectives. Except for land explicitly designated by law to be owned by the state or land that has been lawfully requisitioned for state ownership, all other land is owned by the collectives. In order to use state-owned land, the user should acquire the land in the form of paid use, including transfer of state-owned land use right.

According to the Provisional Regulations of the PRC on Grant and Transfer of the Land Use Rights of State-owned Urban Land (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》), the transfer of land use rights refers to the act where the state, as the landowner, grants land use rights to the land user for a certain period, and the land user pays the transfer fee for the land use rights to the state. A transfer contract shall be signed for the transfer of land use rights. Land users shall develop, utilize, and operate the land in accordance with the provisions of the contract on the transfer of the land use rights and the urban planning requirements. If the land is not developed or utilized according to the period and conditions specified in the contract, the land management department of the people's government in the city or county shall make corrections and may, depending on the circumstances, issue warnings, impose fines or even revoke the land use rights without compensation. If the land user needs to change the use of the land stipulated in the contract on the transfer of the land use rights, he/she shall obtain the consent of the transferor and seek approval from the land management department and urban planning department, sign a new contract on the transfer of the land use rights, adjust the transfer fee for the land use rights, and complete the registration.

Urban and Rural Planning

According to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》), in construction of buildings, structures, roads, pipelines, or other engineering projects within a city or town planning area, the construction entity or individual shall apply for a construction project planning permit from the competent department for urban and rural planning under the people's government of a city or county or the people's government of a town as determined by the people's government of a province, an autonomous region, or a municipality directly under the central government.

Project Construction

According to the Construction Law of the People's Republic of China (《中華人民共和國建築法》), before commencement of a construction project, the construction entity shall apply for a construction permit from the construction administrative department under the people's government at or above the county level at the location of the project in accordance with relevant national regulations, except for small projects below the threshold set by the construction administrative department under the State Council. A construction project can only be put into use after passing the completion and acceptance inspection; projects that have not been inspected or have failed acceptance shall not be delivered for use.

Leased Property

According to the Civil Code, the owner of movable or immovable property is entitled to possess, use, benefit from, and dispose of such movable or immovable property in accordance with law. With the lessor's consent, the lessee may sublease the leased property to a third party. If the lessee subleases the property, the lease contract between the lessee and the lessor shall remain effective. If the lessee subleases the property without the lessor's consent, the lessor has the right to terminate the lease.

According to the Administrative Measures on Leasing of Commodity Housing (《商品房屋租賃管理辦法》), the lessor and the lessee are required to complete property leasing registration and filing formalities within 30 days from execution of the property lease contract with the development authorities or real estate authorities of the municipality or county where the leased property is located. If a company fails to do as aforesaid, it may be ordered to rectify within a stipulated period, and if such company fails to rectify, a fine ranging from RMB1,000 to RMB10,000 maybe imposed on each lease agreement.

According to the Interpretation of the Supreme People's Court on Several Issues Concerning the Specific Application of Law in the Trial of Urban House Lease Contract Dispute Cases (《最高人民法院關於審理城鎮房屋租賃合同糾紛案件具體應用法律若干問題的解釋》), if the ownership of the leased property changes while the lessee is in possession pursuant to the terms of the lease contract and the lessee requests the transferee to continue performing the original lease contract, the PRC courts shall support such a request, unless a mortgage has been established on the leased property before the lease and the ownership change occurs due to the enforcement of the mortgage rights by the mortgagee.

REGULATIONS ON NETWORK SECURITY AND DATA SECURITY

National Security Law

According to the National Security Law of the PRC (《中華人民共和國國家安全法》), the state shall build a network and information security guarantee system, improve network and information security protection capability, strengthen the innovation research, development, and application of network and information technologies, realize the controllable security of the core technologies and crucial infrastructure of network and information and the information systems and data in important fields; strengthen network management, prevent, frustrate, and legally punish network attack, network invasion, network information theft, dissemination of illegal and harmful information, and other network-related infractions of law and crimes, and maintain the state's sovereignty, security, and development interests in the cyberspace.

Cybersecurity

According to the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) (the "**Cybersecurity Law**"), for the construction and operation of the network or the provision of services through the network, technical measures and other necessary measures shall be taken in accordance with the provisions of laws and administrative regulations and the compulsory requirements of national standards to ensure the safe and stable operation of the network, effectively respond to cybersecurity incidents, prevent illegal criminal activities committed on the network, and maintain the integrity, confidentiality and availability of network data.

According to the Regulations on the Protection of the Security of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), "critical information infrastructure" refers to important network facilities and information systems in important industries, such as, among others, public communications and information services, as well as other important network facilities and information systems that, if damaged, disabled, or subject to data leakage, could seriously endanger national security, the national economy, public welfare, or the public interest. These regulations supplement and specify the provisions on the security of critical information infrastructure as stated in the Cybersecurity Law, and provide that the competent administrative authorities and supervision and management authorities of the aforementioned important industries are responsible for (i) organizing the identification of critical information infrastructures in their respective industries in accordance with certain identification rules, and (ii) promptly notifying the identified operators and the Ministry of Public Security of the PRC (中華人民共和國公安部) of the identification results.

Data Security

On June 10, 2021, the SCNPC promulgated the Data Security Law of the PRC (《中華人民共和國數據安全法》) (the "**Data Security Law**"). The Data Security Law establishes the regulatory framework and outlines the responsibilities of the relevant administrative authorities in regulating data security. It provides that the central government of the PRC shall establish a central data security work liaison system, which shall coordinate the relevant authorities across different industries to formulate catalogs of important data and implement special measures to protect the security of such important data.

According to the Measures for Cybersecurity Review (《網絡安全審查辦法》), the purchase of network products and services by critical information infrastructure operators and the data processing activities carried out by network platform operators, which affect or may affect national security are subject to cybersecurity review. In addition, network platform operators possessing personal information of over one million users shall be subject to cybersecurity review before **[REDACTED]** abroad. The competent administrative authorities may also initiate a cybersecurity review against the operators if they believe that the purchase of network products or services, or the data processing activities of such operators affect or may affect national security.

The Regulation on Network Data Security Management (《網絡數據安全管理條例》) reiterates the general regulations for data processing activities and rules of personal information protection, important data security protection, network data cross-border transfer management, and online platform service providers obligations.

Personal Information Protection

According to the Civil Code, the personal information of natural persons is protected by law. Any organization or individual that needs to obtain personal information from others shall do so legally, ensure information security, and shall not illegally collect, use, process, transmit, trade, provide or disclose personal information. The Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) ("**Personal Information Protection Law**") further emphasizes that no organization or individual may illegally collect, use, process, or transmit the personal information of another person or illegally buy or sell, provide, or disclose the personal information of another person; or engage in personal information processing activities compromising national security or public interests.

REGULATIONS ON EMPLOYMENT AND SOCIAL WELFARE

Labor Law

According to the Labor Law of the PRC (《中華人民共和國勞動法》) (the "**Labor Law**"), an employer and an employee must sign a written labor contract to establish an employment relationship. The employer shall pay laborers wages no lower than local standards on minimum wages. The employer and individual laborers shall participate in social insurance in accordance with law and pay social insurance costs.

Labor Contract Law

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) (the "**Labor Contract Law**") is primarily aimed at regulating rights and obligations of employer and employee relationships, including the establishment, performance and termination of labor contracts. Pursuant to the Labor Contract Law, labor contracts shall be concluded in writing if labor relationships are to be or have been established between employers and employees. Employers are prohibited from forcing employees to work above certain time limits and employers shall pay employees for overtime work in accordance with national regulations. In addition, employee wages shall be no lower than local standards on minimum wages and must be paid to employees in a timely manner.

According to the Article 19 of the Interpretation (II) by the Supreme People's Court of Issues Concerning the Application of Law in the Trial of Labor Dispute Cases (《最高人民法院關於審理勞動爭議案件適用法律問題的解釋(二)》), where an employer and a worker agree or a worker undertakes to an employer that there is no need to pay social insurance premiums, the people's court shall determine that such an agreement or undertaking is void. If the employer fails to pay social insurance premiums in accordance with the law, and the worker files a claim for rescission of the labor contract and payment of economic compensation by the employer in accordance with Article 38(3) of the Labor Contract Law, the people's court shall support such a claim in accordance with the law. Where the abovementioned circumstances exist, and the employer, after making up the social insurance premiums in accordance with the law, requests the laborer to return the compensation already paid, the people's court shall support such claim in accordance with the law.

Social Insurance and Housing Provident Fund

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), the Administrative Regulations on Housing Provident Fund (《住房公積金管理條例》) and the Provisional Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), a domestic enterprise shall pay a premium for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance, basic medical insurance and housing provident fund for its employees at an appropriate percentage based on the amounts stipulated by the laws. Employers who fail to promptly contribute social insurance premiums in full amount maybe ordered by the social insurance premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a penalty for late payment from the due date at the rate of 0.05% per day; where payment is not made within such stipulated period, the relevant administrative authorities may impose a fine ranging from one to three times the amount of the amount in arrears. If the employer fails to pay the housing provident fund, it may be ordered to pay within a certain period of time, and if it still fails to pay within such stipulated period, compulsory enforcement by the court can be applied.

REGULATIONS ON TAX

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》) (the "**EIT Law**") and the Implementing Regulations of the EIT Law (《中華人民共和國企業所得税法實施條例》), enterprise income taxpayers shall include resident and non-resident enterprises. Resident enterprise refers to an enterprise established within China or is established under the law of a foreign country (region) but whose actual institution of management is within China. Non-resident enterprise refers to an enterprise established under the law of a foreign country (region), whose actual institution of management is not within China but has offices or establishments within China, or which does not have any offices or establishments within China but has incomes sourced from China. The rate of enterprise income tax shall be 25%. Qualified small low-profit enterprises are given the reduced enterprise income tax rate of 20%. High-tech enterprises in need of key support from the state may enjoy a reduced enterprise income tax rate of 15%.

Value-Added Tax (VAT)

According to the Value-Added Tax Law of the PRC (《中華人民共和國增值税法》), all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sales of service, intangible assets and real estate and the import of goods within the territory of the PRC shall pay VAT at the rate of 13%, except when specified otherwise.

According to the Notice on Adjusting Value-Added Tax Rate (《關於調整增值税税率的通知》), the tax rates of 17% and 11% originally applicable to any taxpayer who makes VAT taxable sales or imports goods were adjusted to 16% and 10% respectively. According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值税改革有關政策的公告》), the tax rate of 16% and 10% originally applicable to general VAT taxpayers who make VAT taxable sales or import goods were adjusted to 13% and 9%, respectively.

REGULATIONS ON FOREIGN EXCHANGE

According to the Regulations of the PRC on Foreign Exchange Administration (《中華人民共和國外匯管理條例》), payments of current account items, such as profit distributions, interest payments and trade and service-related foreign exchange transactions. Subject to certain procedural requirements, can be carried out in foreign currency without prior approval from the SAFE. On the contrary, approval from or registration with relevant government authorities is required where RMB is to be converted into foreign currencies and remitted out of the PRC to pay capital items such as direct investment, repayment of foreign currency loans, repatriation of investments and securities investment outside the PRC.

In addition, pursuant to the Circular on Further Simplifying and Improving the Policies for the Administration of Foreign Exchange in Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》), it is stipulated that banks shall directly examine and handle the foreign exchange registration under overseas direct investment, while the SAFE and its branches shall implement indirect supervision over the foreign exchange registration and examination of overseas direct investment through such banks.

REGULATIONS ON ANTI-UNFAIR COMPETITION

Anti-Unfair Competition Law

The Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) (the "**Anti-Unfair Competition Law**") stipulates that unfair competition acts refer to acts of business operators in production and business activities that violate the provisions of the Anti-Unfair Competition Law, disrupt the market competition order, and damage the legitimate rights and interests of other business operators or consumers. According to the Anti-Unfair Competition Law, business operators must abide by the principles of voluntariness, equality, fairness and good faith when conducting market transactions, and uphold laws and business ethics. If a business operator violates the provisions of the Anti-Unfair Competition Law, it shall bear relevant civil liabilities, administrative liabilities and criminal liabilities according to specific circumstances.

Anti-Monopoly Law

According to the Anti-Monopoly Law of the PRC (《中華人民共和國反壟斷法》) (the "**Anti-Monopoly Law**"), the Anti-Monopoly Law applies to the monopolistic practices in domestic economic activities in the PRC as well as the monopolistic practices outside the PRC which have exclusion or restriction effects on domestic market competition, The monopolistic practices under the Anti-Monopoly Law include any monopoly agreement reached by any operators, abuse of market-dominating position by any operators and any concentration of operators which has eliminated or limited or may eliminate or limit the market competition. The anti-monopoly law enforcement agencies designated by the State Council are responsible for enforcement of the Anti-Monopoly Law in accordance with the provisions of the Anti-Monopoly Law. Operators who violate the provisions of the Anti-Monopoly Law may be subject to fines, confiscation of illegal gains, or cessation of illegal activities by the anti-monopoly law enforcement agencies.

Anti-Money Laundering Law

The Anti-Money Laundering Law of the PRC (《中華人民共和國反洗錢法》) (the "**Anti-Money Laundering Law**") stipulates that anti-money laundering refers to the act of taking relevant measures in accordance with the provisions of the Anti-Money Laundering Law to prevent the money laundering activities of concealing and disguising the sources and natures of the **[REDACTED]** and their benefits from crimes such as drug-related crimes, crimes of organizations in the nature of underworld syndicates, terrorist activities crimes. Smuggling crimes, crimes of corruption and bribery, crimes of disrupting financial management order, and financial fraud crimes through various means.

REGULATIONS ON SECURITIES AND OVERSEAS LISTING

Securities Law

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

Overseas Listing

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and circulated five supporting guidelines (collectively, the "**Filing Rules**"). The Filing Rules has comprehensively improved and reformed the regulatory regime for overseas offering and listing of the PRC domestic companies' securities and regulate both direct and indirect overseas offering and listing of the PRC domestic companies' securities by adopting a filing-based regulatory regime. The Filing Rules apply to all overseas equity financing and listing activities of PRC domestic companies, including initial and follow-on offerings of shares, depository receipts, convertible corporate bonds, or other equity instruments and trading of securities in overseas market.

OVERVIEW OF SANCTIONS AND EXPORT CONTROL LAWS AND REGULATIONS

Sanction

Set out below is a summary of the sanctions regimes imposed by U.S., the United Nations, the EU, the United Kingdom and United Kingdom overseas territories and Australia. This summary does not set out the laws and regulations relating to the U.S., the United Nations, the EU, the United Kingdom and Australian sanctions in their entirety.

U.S.

Treasury regulations

OFAC is the primary agency responsible for administering U.S. sanctions programs against targeted countries, entities, and individuals. "Primary" U.S. sanctions apply to "U.S. persons" or activities involving a U.S. nexus (e.g., funds transfers in U.S. currency even if performed by non-U.S. persons), and "secondary" U.S. sanctions apply extraterritorially to the activities of non-U.S. persons even when the transaction has no U.S. nexus. Generally, U.S. persons are defined as entities organized

under U.S. law (such as companies and their U.S. subsidiaries); any U.S. entity's domestic and foreign branches (sanctions against Iran and Cuba also apply to U.S. companies' foreign subsidiaries or other non-U.S. entities owned or controlled by U.S. persons); U.S. citizens or permanent resident aliens ("green card" holders), regardless of their location in the world; individuals physically present in the United States; and U.S. branches or U.S. subsidiaries of non-U.S. companies.

Depending on the sanctions program and/or parties involved, U.S. law also may require a U.S. company or a U.S. person to "block" (freeze) any assets/property interests owned, controlled or held for the benefit of a sanctioned country, entity, or individual when such assets/property interests are in the United States or within the possession or control of a U.S. person. Upon such blocking, no transaction may be undertaken or effected with respect to the asset/property interest, and no payments, benefits, provision of services or other dealings or other type of performance (in case of contracts/agreements) except pursuant to an authorization or license from OFAC.

OFAC's comprehensive sanctions programs currently apply to Cuba, Iran, North Korea, the Crimea, the so-called Luhansk People's Republic and the Donetsk People's Republic regions. OFAC also prohibits U.S. persons from dealing with or facilitating dealings with individuals, entities and organizations identified in the SDN List or other sanctions lists. Doing business with individuals or entities from a country or region subject to selective sanctions maintained by OFAC (currently including Russia, Belarus, Venezuela and other countries/regions) will not automatically trigger sanctions risks unless a Sanctioned Target is involved. An entity that a party on the SDN List owns (defined as a direct or indirect ownership interest of 50% or more, individually or in the aggregate) is also blocked, regardless of whether that entity is expressly named on the SDN List. Additionally, U.S. persons, wherever located, are prohibited from approving, financing, facilitating, or guaranteeing any transaction by a non-U.S. person where the transaction by that non-U.S. person would be prohibited if performed by a U.S. person or within the United States.

United Nations

The United Nations Security Council (the "**UNSC**") can take action to maintain or restore international peace and security under Chapter VII of the United Nations Charter. Sanctions measures encompass a broad range of enforcement options that do not involve the use of armed force. Since 1966, the UNSC has established 30 sanctions regimes.

The UNSC sanctions have taken a number of different forms, in pursuit of a variety of goals. The measures have ranged from comprehensive economic and trade sanctions to more targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions. The UNSC has applied sanctions to support peaceful transitions, deter non-constitutional changes, constrain terrorism, protect human rights and promote nonproliferation.

There are 14 ongoing sanctions regimes which focus on supporting political settlement of conflicts, nuclear non-proliferation, and counter-terrorism. Each regime is administered by a sanctions committee chaired by a non-permanent member of the UNSC. There are ten monitoring groups, teams and panels that support the work of the sanctions committees.

United Nations sanctions are imposed by the UNSC, usually acting under Chapter VII of the United Nations Charter. Decisions of the UNSC bind members of the United Nations and override other obligations of United Nations member states.

European Union ("EU")

Under EU sanction measures, there is no 'blanket' ban on doing business in or with a jurisdiction targeted by sanctions measures. It is not generally prohibited or otherwise restricted for a person or entity to do business (involving non-controlled or unrestricted items) with a counterparty in a country subject to EU sanctions where that counterparty is not a Sanctioned Target and not engaged in

prohibited activities, such as exporting, selling, transferring or making certain controlled or restricted products available (either directly or indirectly) to, or for use in a jurisdiction subject to sanctions measures, provided that no funds and economic resources are made available to the Sanctioned Targets.

United Kingdom ("UK")

UK sanctions are in force under the Sanctions and Anti-Money Laundering Act 2018 ("**the UK Sanctions Act**"), which enables the transition of existing EU sanctions programs and the establishment of autonomous UK regimes. The United Kingdom is no longer an EU member state as of January 1, 2021. Starting from January 1, 2021, the United Kingdom applies its own sanctions programs through regulations setting out the specific measures under each UK sanctions regime.

Australia

The Australian restrictions and prohibitions arising from the sanctions laws apply broadly to any person in Australia, any Australian anywhere in the world, companies incorporated overseas that are owned or controlled by Australians or persons in Australia, and/or any person using an Australian flag vessel or aircraft to transport goods or transact services subject to United Nations sanctions.

Export Control

The United States administers an export-control framework aimed at protecting national-security and foreign-policy interests. This system is implemented principally through the Export Administration Regulations ("**EAR**") by the Department of Commerce, which imposes licensing requirements, end-use and end-user restrictions, foreign direct product controls.

The EAR govern the export and transfer of "items subject to the EAR", maintaining an extraterritorial reach that applies to (i) U.S.-origin content or foreign-made products exceeding a de minimis threshold of controlled U.S. content, and (ii) certain foreign products manufactured using specific U.S. technology under the Foreign Direct Product rules. Compliance is generally determined based on a product's classification and the end-user's status on restrictive lists, such as the U.S. Entity List.

Items that are subject to the EAR may require a license from the BIS prior to the export, re-export or transfer (in-country) of the item. To determine whether a license is required, it is necessary to review the classification of the item. BIS maintains the Commerce Control List ("**CCL**," Supplement 1 to 15 C.F.R. Part 744), which provides descriptions of items under Export Control Classification Numbers ("**ECCNs**"). Each ECCN identifies reasons for control, which indicate licensing requirements to certain destinations based on a review of the Commerce Country Chart (Supplement 1 to 15 C.F.R. Part 738). Items on the CCL may also be subject to restrictions imposed by comprehensive U.S. sanctions.

BIS administers various restricted party lists identifying companies, organizations, and individuals that may be subject to additional export control restrictions and licensing requirements under the EAR, irrespective of the classification of the relevant item. Among these, the "Entity List," set forth in Supplement No. 4 to 15 C.F.R. Part 744, identifies parties for which exports, re-exports, or transfers (in-country) of items subject to the EAR generally require prior authorization from BIS.

According to the EAR § 744.16, in addition to the license requirements for items specified on the CCL, any entity may not, without a license from BIS, export, reexport, or transfer (in-country) any items included in the License Requirement column of an entry on the Entity List when an entity associated with that entry or when any person using an address identified in the Entity List entry as a high-risk diversion address is a party to a transaction as described in § 748.5(c) through (f) of the EAR.

OVERVIEW

We are a leading power generation solution provider and leading marine engine provider in China. We design, develop, manufacture and sell power generator engines, marine engines, power generator sets and engine components, serving a wide array of markets across the economy, including data centers, distributed power station, telecommunications, oil & gas, marine, and other sectors.

Our history traces back to 1951, when Yulin Quantang Industrial Cooperative (玉林泉塘工業社) ("**Yulin Quantang**") was established in Yulin, Guangxi Zhuang Autonomous Region of China to produce agricultural machinery and equipment. Yulin Quantang was developed and subsequently restructured as Guangxi Yuchai Machinery Group Co., Ltd. ("**GY**") in 1992, with its engine and machinery business transferred into its then newly set-up subsidiary Guangxi Yuchai Machinery Co., Ltd. ("**GYMCL**"). In 2015, a dedicated marine and genset power division was set up by GYMCL, which focused on the design, development, manufacture and sale of power generators and marine engines. In 2022, GYMCL injected the marine and genset power business into our Company, so to concentrate managerial efforts and improve operational efficiency. In December 2025, we were converted into a joint stock limited company. See "Major Development and Shareholding Changes of the Company" in this section.

KEY CORPORATE AND BUSINESS DEVELOPMENT MILESTONES

The following is a summary of our Group's key business development milestones:

Year	Milestone
1951	• Yulin Quantang was established in Yulin, Guangxi, which principally engaged in the production of agricultural machinery and equipment.
1992	• Yulin Quantang was developed and restructured as GY, and subsequently transferred its engine and machinery business into its newly set-up subsidiary, GYMCL.
1994	• China Yuchai International Limited ("**CYI**") was listed on the NYSE.
2015	• GYMCL established a dedicated marine and genset power division which focused on the design, development, manufacture and sale of power generator engines and marine engines.
2016	• One of our major power generator engine series, YC16VC, was launched.
2017	• Guangxi Yuchai Deyou Power Generator Limited Company (廣西玉柴德優發動機有限公司) (the former name of our Company) was established in the PRC as a subsidiary of GYMCL.
2021	• Guangxi Yuchai Deyou Power Generator Limited Company (廣西玉柴德優發動機有限公司) changed its name to Guangxi Yuchai Marine and Genset Power Co., Ltd. (廣西玉柴船電動力有限公司).
2022	• With the continued growth of the marine and genset power division and a positive market outlook, GYMCL's marine and genset business was injected into our Company.
2025	• The Company converted into a joint stock limited liability company under the laws of the PRC.

OUR SUBSIDIARIES AND JOINT VENTURE

As of the Latest Practicable Date, we had two subsidiaries, namely Guangxi Yuchai Deyou Engine Systems Co., Ltd.* (廣西玉柴德優發動機系統有限公司) ("**Yuchai Deyou**") and Guangxi Yuchai Marine and Genset Power Solutions Co., Ltd* (廣西玉柴船電發電設備有限公司) ("**Yuchai Power Solutions**"). Furthermore, we hold a 50% equity interest in MTU Yuchai, a joint venture of the Company.

Yuchai Deyou

Yuchai Deyou was incorporated under the laws of the PRC on December 22, 2021 as a limited liability company, with the registered capital of RMB20 million, and the principal business of selling engines. At the time of incorporation, Yuchai Deyou was a wholly owned subsidiary of GYMCL.

Pursuant to the capital injection and transfer of assets and shares of GYMCL in December 2022, 100% of equity interest of Yuchai Deyou was transferred from GYMCL to the Company. See "Major Development and Shareholding Changes of the Company — 3. Capital increase and transfer of assets and shares in December 2022" in this section for further details. As a result of such transfer, Yuchai Deyou became a direct wholly-owned subsidiary of the Company.

Yuchai Power Solutions

Yuchai Power Solutions was incorporated under the laws of the PRC on July 10, 2025 as a limited liability company with the registered capital of RMB50 million, and the principal business of development, manufacture and sale of power generator sets. Yuchai Power Solutions is a non-wholly owned subsidiary of the Company, in which the Company owned as to 75% of its equity interest, and the remaining 25% equity interest was owned by Guangxi Yuchai Power Machinery Co., Ltd (廣西玉柴動力股份有限公司), a subsidiary of GY.

MTU Yuchai

MTU Yuchai was incorporated under the laws of the PRC on January 18, 2017, as a 50-50 sino-foreign limited joint venture with the registered capital of RMB150 million. It was a joint venture established pursuant to a joint venture contract entered into between Rolls-Royce and GYMCL in February 2016, in which Rolls-Royce and GYMCL each held 50% of its equity interest. Its principal businesses include the production of, under the license from Rolls-Royce and subject to the terms and conditions of such license, ***mtu*** branded diesel engines in the PRC.

At the relevant time, Rolls-Royce wished to localize its production in the PRC with a view to reducing production costs and safeguarding its market position, whilst maintaining product quality. To that end, Rolls-Royce partnered with GYMCL to establish MTU Yuchai as a joint venture, as GYMCL possessed the requisite manufacturing equipment, production capabilities and management expertise to produce products to the required standards. As part of our collaboration with Rolls-Royce, during the Track Record Period, we sourced ***mtu*** branded engines produced by MTU Yuchai for sales to our customers through our subsidiary, Yuchai Deyou, which is solely engaged in the purchase and sale of ***mtu*** branded engines. For FY2023, FY2024, FY2025, 1H2025 and 1H2026, revenue generated by Yuchai Deyou amounted to RMB200.6 million, RMB259.2 million, RMB307.8 million, RMB189.7 million and RMB215.9 million, representing 6.2%, 6.5%, 5.0%, 6.3% and 4.8% of our total revenue, respectively. See "Business — Joint venture with Rolls-Royce" for further details.

In light of the capital injection and transfer of assets and shares of GYMCL in December 2022, 50% equity interest of MTU Yuchai owned by GYMCL was being transferred to the Company. See "Major Development and Shareholding Changes of the Company — 3. Capital increase and transfer of assets and shares in December 2022" in this section for further details. As a result, 50% of equity interest of MTU Yuchai was held by the Company. As neither Rolls-Royce nor GYMCL has unilateral control over MTU Yuchai, and decisions on the relevant activities require unanimous consent of both parties, MTU Yuchai was recognized as a joint venture of the Company.

MAJOR DEVELOPMENT AND SHAREHOLDING CHANGES OF THE COMPANY

1. Early development of Yuchai brand and our business

Our history traces back to 1951, when Yulin Quantang was established in Yulin, Guangxi Province and began its business by producing agricultural machinery and equipment. Yulin Quantang was developed and subsequently restructured as GY in 1992, when its engine and machinery business transferred into its then newly set-up joint stock limited company, GYMCL. GYMCL's primary businesses at the relevant time include the manufacture, machinery and sale of a wide variety of light-, medium- and heavy-duty engines for vehicle and non-road applications, and distributed its engines to OEMs throughout the PRC, which in turn laid the foundation of the business relating to the manufacture and sales of engines, power generators and marine engines.

In 1993, GYMCL introduced foreign investors, including the holding company of HLA and became a sino-foreign company. Following a series of further restructuring steps, CYI was established in 1993, and HLA became the controlling shareholder of CYI. Through its six wholly owned subsidiaries, CYI then became the controlling shareholder of GYMCL which held 76.41% of its equity interest. CYI was listed on the NYSE in December 1994.

Our main business operation started in 2015, when the management at GYMCL established a dedicated division, marine and genset power division, which focused on the design, development, manufacture, and sale of power generators and marine engines. The division's businesses related to power generator and marine engine development and sales has continued to expand. Notably, one of our major power generator engine series, YC16VC, was launched in late 2016. The division has further developed engine series that suits the needs and requirements of the customers based on the development trend at the relevant time.

2. Establishment of the Company

On January 10, 2017, the Company was established in the PRC as a limited liability company with an initial registered capital of RMB20,000,000, under the previous name of Guangxi Yuchai Deyou Power Generator Limited Company (廣西玉柴德優發動機有限公司). At the time of establishment, the Company was wholly-owned by GYMCL with the principal business of selling ***mtu*** branded engines.

In December 2021, Guangxi Yuchai Deyou Power Generator Limited Company (廣西玉柴德優發動機有限公司) changed its name to Guangxi Yuchai Marine and Genset Power Co., Ltd* (廣西玉柴船電動力有限公司).

3. Capital increase and transfer of assets and shares in December 2022

As the business under the marine and genset power division showed a strong development trend, GYMCL strategically decided to split and inject the business under this division to our Company, so as to concentrate managerial efforts and improve operational efficiency. Since then, the Group has consistently focused on independent research and development, product innovation, and engineering excellence, building the GYMGP brand into one recognized by customers worldwide. Its revenue has grown steadily over since 2022, underpinned by the development trend in the power generator engine sector at the relevant time.

Pursuant to the shareholders' resolution dated December 20, 2022, the registered capital of our Company was increased from RMB20,000,000 to RMB400,000,000. The increase in registered capital was contributed by GYMCL via (i) an in-kind capital injection into the Company comprising non-monetary assets ("**Injected Assets**"); and (ii) transfer of 100% equity interests in Yuchai Deyou ("**Deyou Shares**"); and (iii) transfer of 50% equity interest in MTU Yuchai ("**MTU Yuchai Shares**") to the Company. No consideration was paid by our Company to GYMCL for the transfer of the Deyou Shares and the MTU Yuchai Shares, as such transfer of equity interest was treated as part of GYMCL's contribution towards the increase in the registered capital of the Company. The value of the Injected

Assets, Deyou Shares and MTU Yuchai Shares was determined on an arm's length basis with reference to its appraised value as of June 30, 2022 under the valuation reports issued by an independent third party valuer in November 2022. GYMCL held 100% of the equity interest of the Company before and after the completion of such capital increase, with the registered capital increased from RMB20,000,000 to RMB400,000,000 upon completion.

4. Capital increase in June 2024

On June 24, 2024, the shareholder of the Company resolved to increase the registered capital of the Company from RMB400,000,000 to RMB428,000,000 at the subscription of RMB2.96 for every RMB1 of newly increased registered capital of the Company, with the total subscription contributed by Limited Partnership Platforms amounted to RMB82,880,000. Specifically, (i) Yulin Changyingjia contributed RMB54,380,001 to subscribe for RMB18,371,622 of the newly increased registered capital; (ii) Yulin Dayingjia contributed RMB21,700,006 to subscribe for RMB7,331,083 of the newly increased registered capital; and (iii) Yulin Zhongli contributed RMB6,799,993 to subscribe for RMB2,297,295 of the newly increased registered capital. The consideration was determined with reference to the then appraised net asset value of our Company as of December 31, 2022 as set out in a valuation report issued by an independent third party valuer in August 2023.

Upon the completion of such capital increase, the shareholding structure of the Company was as follows:

Name of Shareholders	Registered capital held (RMB'000)	Percentage of shareholding (%)
GYMCL	400,000.0	93.46
Yulin Changyingjia	18,371.6	4.29
Yulin Dayingjia	7,331.1	1.71
Yulin Zhongli	2,297.3	0.54
Total	**428,000.0**	**100.00**

5. Equity transfer in August 2025

On August 8, 2025, Yulin Dayingjia entered into an equity transfer agreement with Yulin Zhongli pursuant to which Yulin Zhongli acquired from Yulin Dayingjia RMB168,921 of the registered capital of the Company (representing 0.04% equity interests in the Company) at a consideration of RMB543,925.6. The consideration of RMB3.22 per RMB1 registered capital was determined with reference to the net asset value of the Company.

Upon the completion of equity transfer, the shareholding structure of the Company was as follows:

Name of Shareholders	Registered capital held (RMB'000)	Percentage of shareholding (%)
GYMCL	400,000.0	93.46
Yulin Changyingjia	18,371.6	4.29
Yulin Dayingjia	7,162.2	1.67
Yulin Zhongli	2,466.2	0.58
Total	**428,000.0**	**100.00**

6. Conversion into a joint stock company with limited liability

On December 24, 2025, our Shareholders passed resolutions approving, among other things, (i) the conversion of our Company from a limited liability company into a joint stock company with its Chinese name changed from "廣西玉柴船電動力有限公司" to "廣西玉柴船電動力股份有限公司", and (ii) the conversion of our audited net asset value after distribution of profits in an amount of RMB 1,322,373,046.74 as of January 31, 2025 into 856,000,000 Shares with a nominal value of RMB1.00 each at a ratio of 1:0.6473, which were issued to the then Shareholders in proportion to their respective equity interests in our registered capital, and the crediting of the remaining net assets value of RMB466,373,046.74 as our capital reserve. The conversion was completed on December 31, 2025.

Immediately following the completion of the conversion, the shareholding structure of the Company was as follows:

Name of Shareholders	Number of Shares held	Percentage of shareholding (%)
GYMCL	800,000,000	93.46
Yulin Changyingjia	36,743,244	4.29
Yulin Dayingjia	14,324,324	1.67
Yulin Zhongli	4,932,432	0.58
Total	**856,000,000**	**100.00**

COMPLIANCE OF PRC REGULATIONS

As confirmed by our PRC Legal Advisor, (i) the equity transfers, capital increases and conversion into a joint stock company of our Group as described above, and (ii) all necessary registrations or filings with the relevant local branch of the SAMR have been completed in accordance with applicable PRC laws and regulations in all material aspects.

RELATIONSHIP BETWEEN THE COMPANY, CYI, HLA AND GY ENTITIES

As of the Latest Practicable Date, HLA was the controlling shareholder of CYI. Through its wholly owned subsidiaries, HLA beneficially owned 48.70% of CYI's shares and held a special share that entitled it to elect a majority of CYI's directors and no shareholders' resolution may be passed without the affirmative vote of the special share. In addition, GY, which is controlled by Guangxi SASAC, held a further 20.09% of CYI's ordinary shares through its subsidiaries.

CYI, through six wholly owned subsidiaries, held 76.41% of the equity interest in GYMCL and was its controlling shareholder, while GY directly held 22.71% of GYMCL as of the Latest Practicable Date. GYMCL, together with the Limited Partnership Platforms, controlled 100% of the voting interest in the Company and is the Controlling Shareholder of the Company. See below for the brief background of GY, and see "Information of Business of Our Group and Our Controlling Shareholders" in "Relationship With our Controlling Shareholders" section for the background of GYMCL, CYI and HLA.

GY is a company incorporated in August 1992. It is a large state-owned enterprise group with a diversified business portfolio. GY controls a number of subsidiaries spanning three principal industrial sectors, including manufacture of engines, logistics and supply chain services and new energy industries and related services. As at the Latest Practicable Date, it was controlled by Guangxi SASAC.

GY has ranked among China's Top 500 Enterprises, the Global Top 100 Automotive Components Suppliers, China's Top 100 Machinery Manufactures and China's 500 Most Valuable Brand for a number of years. Its core product portfolio includes diesel engines, gas engines, hybrid powertrains, pure electric powertrains, as well as construction machinery, sanitation equipment, special-purpose vehicles and engine components.

During the Track Record Period, the Company has entered into various transactions with GYMCL, a connected person of the Company classified under chapter 14A of the Listing Rules. See "Connected Transactions" in this document for further details. Separately, given that GY does not control GYMCL, it is not a substantial shareholder of the Company and therefore not a connected person of the Company under the Listing Rules. Nevertheless, GY Entities, which is classified as a related party of the Company under the definition of IFRS 24, has also entered into various transactions with the Company during the Track Record Period. See note 34 to the Accountants' Report in Appendix I to this document for details of the related party transactions between GY Entities and the Company, and "Business — Transactions with the Related Parties — Transactions with GY Entities" in this document for rationale for such transactions.

LIMITED PARTNERSHIP PLATFORMS

Equity Incentive Platforms — Yulin Changyingjia and Yulin Zhongli

To enhance management stability, retain key personnel, optimize remuneration and performance assessment, and strengthen corporate cohesion, Yulin Changyingjia and Yulin Zhongli were established in the PRC as employee share incentive platforms. Our Shareholders have adopted an employee share incentive plan (the "**Employee Share Incentive Plan**") under which partnership interests in Yulin Changyingjia and Yulin Zhongli may be awarded to eligible participants.

Pursuant to the terms of the Employee Share Incentive Plan and the respective partnership agreements, certain employees of the Company have been granted awards and, upon grant or exercise, are registered as limited partners of the relevant employee share incentive platforms. The management of the Employee Share Incentive Plan are exercised by its respective executive partner in accordance with the applicable partnership agreements, while the relevant employees, as limited partners, are entitled to the corresponding economic interests.

As of the Latest Practicable Date, the awards under the Employee Share Incentive Plan had been fully granted and all grantees had paid their respective amount of subscription price in full. In addition, the underlying Shares under the Employee Share Incentive Plan had already been issued, no new Shares will be issued pursuant to such plan. See "Statutory and General Information — Other Information — Employee Share Incentive Plan" in Appendix IV to this document for further details.

Yulin Changyingjia

Yulin Changyingjia was established as a limited partnership under the laws of the PRC on September 7, 2023. As of the Latest Practicable Date, Yulin Changyingjia held 4.29% of our total issued Shares. The partnership's affairs are managed and executed by its executive partner, Mr. Ning, who is also a general partner holding 27.58% of the partnership interests, and serves as an executive Director and the general manager of our Company. The partnership has two other general partners, Dr. Huang and Mr. Lu, holding 6.44% and 4.60% of the partnership interests, respectively. The remaining 61.38% of the partnership interests are held by 43 employees (who are neither Directors nor senior management of our Company) amounted to 61.38% and GYMCL amounted to 0.0001% as limited partners.

Yulin Zhongli

Yulin Zhongli was established as a limited partnership under the laws of the PRC on June 24, 2024. As of the Latest Practicable Date, Yulin Zhongli held 0.58% of our total issued Shares. The partnership's affairs are managed and executed by its executive partner, Mr. Yi Jianing (易加寧), who is

also a general partner holding 47.94% of the partnership interests, and serves as a sales director of our Company. The partnership has another general partner, Mr. Deng Yapeng (鄧亞鵬), a sales director of our Company, holding 34.25% of the partnership interests. The remaining 17.81% of the partnership interests are held by nine employees (who are neither Directors nor senior management of our Company) amounted to 17.81% and GYMCL amounted to 0.0004% as limited partners.

Yulin Dayingjia

Yulin Dayingjia was established as a limited partnership under the laws of the PRC on September 7, 2023. As at the Latest Practicable Date, Yulin Dayingjia held 1.67% of our total issued Shares. It serves as a platform under which partnership were awarded to eligible participants who are employees of GYMCL and its subsidiaries other than our Company. The partnership's affairs are managed and executed by its executive partner, Mr. Chen, our non-executive Director, who is also a general partner holding 6.60% of the partnership interests. The partnership has two other general partners, Ms. Su, our non-executive Director, and Mr. Zuo Junjie (左俊杰), holding 3.54% and 3.54% of the partnership interest, respectively. The remaining 86.32% of the partnership interest is held by nine individuals amounted to 53.30%, and GYMCL amounted to 33.02% as limited partners.

ACTING IN CONCERT ARRANGEMENT

Since the introduction of the Limited Partnership Platforms as shareholders of our Company through capital increase in June 2024, the Limited Partnership Platforms and GYMCL have been acting in concert with each other based on the terms under their respective partnership agreements. Pursuant to the respective partnership agreements entered into by all respective general and limited partners (including GYMCL), the Limited Partnership Platforms shall act in concert with GYMCL and exercise their voting rights in the Company in such manner as directed by GYMCL. Such acting in concert arrangements were embedded in the respective partnership agreements from the outset, ensuring that the introduction of the Limited Partnership Platforms as share incentive vehicles would serve their intended purpose of incentivizing eligible participants economically, without altering the existing governance and control structure of the Company.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

During the Track Record Period and up to the Latest Practicable Date, we did not conduct any major acquisitions, disposals or mergers that we consider to be material to us.

PREVIOUS LISTING ATTEMPT AND REASONS FOR THE [REDACTED]

In 2022, the Company considered and engaged professional parties to undertake a feasibility study of listing its shares on the A share market ("**Proposed A Shares Listing Attempt**"). However, such plan was suspended in 2023 and eventually terminated due to certain alternative capital market plans and considerations. No formal listing application has been submitted to the relevant PRC authorities in connection with the Proposed A Shares Listing Attempt.

In light of the foregoing, the Directors are of the view, given the absence of any substantive progress and the fact that no formal application was made, there are no unresolved or outstanding issues or other matters in connection with the Proposed A Shares Listing Attempt in any material respect that would have any bearing on the current **[REDACTED]**.

The Joint Sponsors concur that there were no other matters related to the Proposed A Shares Listing Attempt in any material respect which should be brought to the attention of the Stock Exchange.

After careful evaluation, the Company determined that a **[REDACTED]** on the Stock Exchange would better align with its strategic objectives. The Company is seeking a **[REDACTED]** of its H Shares on the Stock Exchange in order to raise further capital for the development of our business and expansion of our manufacturing capacity, to strengthen our business profile and expand our global presence. See "Future Plans and **[REDACTED]**" in this document for further details.

In particular, with respect to CYI's business prospects and corporate strategy, CYI, a company listed on the NYSE and one of the Controlling Shareholders of the Company, supports the separate **[REDACTED]** of the Company on the Stock Exchange.

The **[REDACTED]** constitutes a **[REDACTED]** from HLA, which is a Controlling Shareholder of ours and whose shares are listed on the Singapore Stock Exchange. Based on HLA's submissions and representations, the Singapore Stock Exchange advised on December 5, 2025 that it had no comments on the **[REDACTED]** of our Company. CYI, a subsidiary of HLA and a Controlling Shareholder of ours, has its shares listed on the NYSE. CYI is not required to obtain approval or consent from the U.S. Securities and Exchange Commission or the NYSE in connection with the **[REDACTED]**. Additionally, no approval from the shareholders of CYI and/or HLA is required for the **[REDACTED]** and the **[REDACTED]**.

CAPITALIZATION

The Company applied for H-share full circulation to convert certain of the Unlisted Shares into H Shares per the instructions of the relevant Shareholders. The conversion of Unlisted Shares into H Shares will involve an aggregate of **[REDACTED]** Unlisted Shares held by all four existing Shareholders, representing approximately **[REDACTED]**% of the total issued Share capital of the Company upon completion of the conversion of Unlisted Shares into H Shares and the **[REDACTED]** (assuming no exercise of the **[REDACTED]**). Save as disclosed in this document and to the best knowledge of our Directors, we are not aware of the intention of any existing Shareholders to convert their Unlisted Shares. For further details, see "Share Capital" in this document.

LOCK-UP PERIOD

Pursuant to the applicable PRC laws, within the 12 months following the **[REDACTED]**, all existing Shareholders prior to the **[REDACTED]** shall not dispose of any of the Shares held by them.

PUBLIC FLOAT

Upon the completion of the **[REDACTED]** (assuming that the **[REDACTED]** is not exercised) and the conversion of the Unlisted Shares into H Shares, **[REDACTED]** Unlisted Shares will be converted into H Shares and **[REDACTED]** on the Stock Exchange. Upon the **[REDACTED]** and the conversion of Unlisted Shares into H Shares, the H Shares held by GYMCL and the Limited Partnership Platforms, representing approximately **[REDACTED]**% of our total issued Shares (assuming that the **[REDACTED]** is not exercised) will not be considered as part of the public float for the purpose of Rule 19A.13A of the Listing Rules, as both GYMCL and the Limited Partnership Platforms are our Controlling Shareholder, and hence our core connected persons.

Rule 19A.13A of the Listing Rules require that there must be an open market in the securities for which **[REDACTED]** is sought. This will normally mean that for a class of securities new to **[REDACTED]**, at least a minimum prescribed percentage of that class of securities must be held by the public at the time of **[REDACTED]**. Where the expected market value of the class of securities at the time of **[REDACTED]** is over HK$6,000,000,000 but not exceeding HK$30,000,000,000, the minimum prescribed percentage is determined at the higher of (i) the percentage that would result in the expected market value of H shares held by the public to be HK$1,500,000,000 at the time of **[REDACTED]**; and (ii) 15%.

Assuming that the **[REDACTED]** is not exercised, based on the **[REDACTED]** of HK$**[REDACTED]** per Share (being the minimum **[REDACTED]** of the **[REDACTED]**), the **[REDACTED]** of our total issued Shares immediately upon **[REDACTED]** is expected to be

HK$**[REDACTED]**, and the percentage that would result in the **[REDACTED]** of H shares held by the public to be HK$1,500,000,000 at the time of **[REDACTED]** would be **[REDACTED]**%. Accordingly, at least **[REDACTED]**% of the total number of issued shares must be held by the public upon **[REDACTED]**.

Taking into account the **[REDACTED]** (assuming that the **[REDACTED]** is not exercised) and the conversion of Unlisted Shares into H Shares, **[REDACTED]** H Shares held or controlled by our Shareholders who are not our core connected persons, representing **[REDACTED]**% of our total issued Shares, will be counted towards the public float of our Company according to Rule 8.08 (as amended and replaced of Rule 19A.13A) of the Listing Rules, which is higher than the prescribed percentage of H Shares required to be held in public hands of 15% under Rule 19A.13(1) of the Listing Rules calculated based on the minimum and maximum **[REDACTED]** of the **[REDACTED]**, thereby satisfying Rule 8.08(1) (as amended and replaced of Rule 19A.13A) of the Listing Rules.

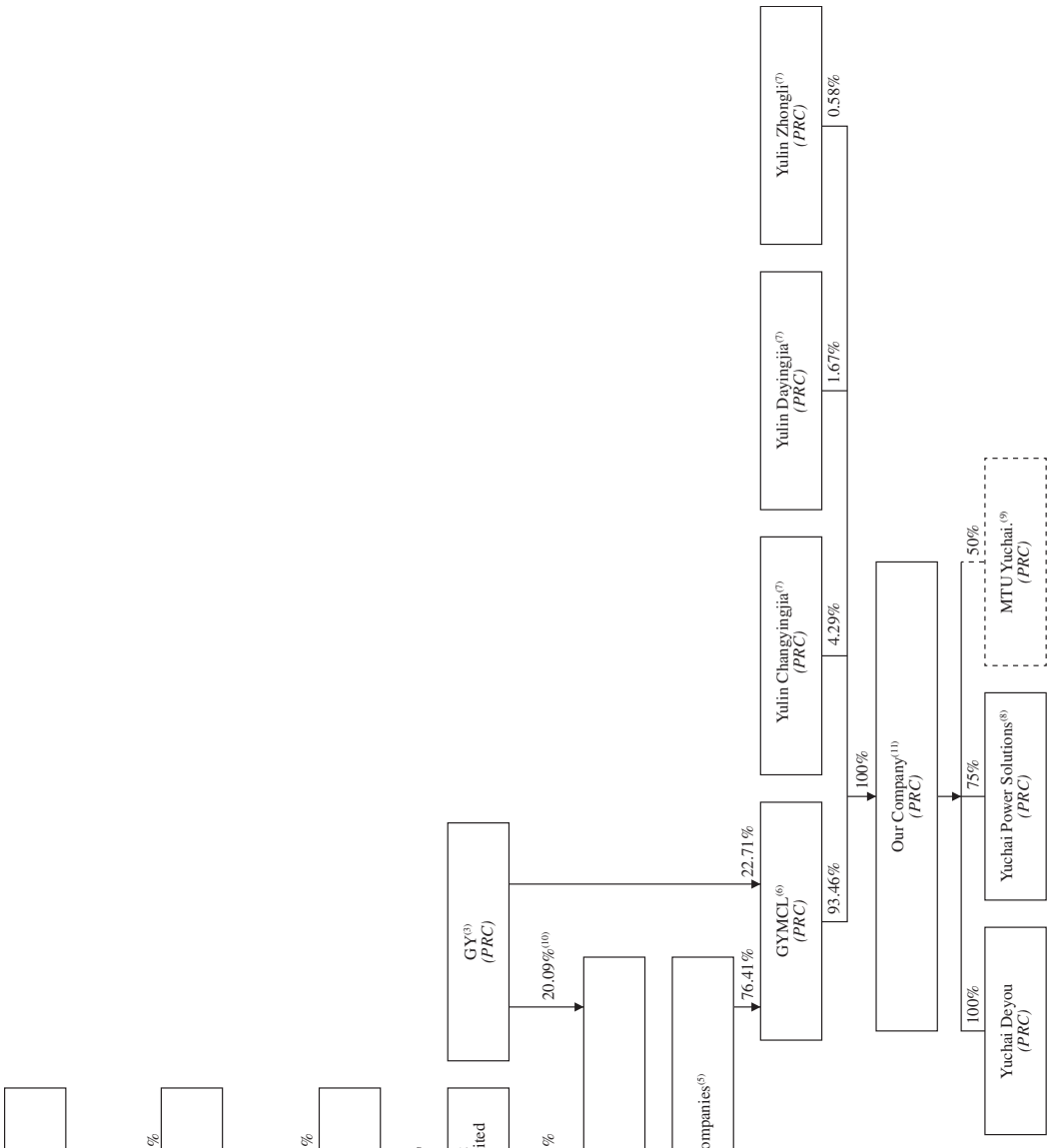
FREE FLOAT

Under Rule 19A.13C(1) of the Listing Rules, a PRC issuer with no other listed shares at the time of the **[REDACTED]** must ensure that the portion of H shares for which **[REDACTED]** is sought that are held by the public and not subject to any disposal restrictions (whether under contract, the Listing Rules, applicable laws or otherwise) at the time of **[REDACTED]** (a) represent at least 10% of the total number of issued shares in the class to which H shares belong at the time of **[REDACTED]** (excluding treasury shares), with an **[REDACTED]** at the time of the **[REDACTED]** of not less than HK$50,000,000, or (b) have a **[REDACTED]** of at least HK$600,000,000.

It is expected that immediately following completion of the **[REDACTED]**, the **[REDACTED]** of the H Shares **[REDACTED]** on the Stock Exchange that are not subject to any disposal restrictions at the time of the **[REDACTED]** is not less than HK$600,000,000. Accordingly, the Company will be able to satisfy the requirements under Rule 19A.13C(1)(b) of the Listing Rules.

OUR STRUCTURE IMMEDIATELY PRIOR TO THE [REDACTED]

The chart below sets out the shareholding structure of our Group immediately before completion of the **[REDACTED]**:



Notes:

(1) As of the Latest Practicable Date, HLCH was directly and indirectly 100% owned by HLIH, being held by HLIH as to 73.20% directly and as to 26.80% indirectly through HLE, a wholly-owned subsidiary of HLIH. HLA is ultimately controlled by HLIH. See "Relationship with Our Controlling Shareholders" in this document for further details.

(2) As of the Latest Practicable Date, HLA, whose shares are listed on the Mainboard of the Singapore Stock Exchange, beneficially owned 48.70% of the ordinary shares and a special share of CYI that entitles HLA to elect a majority of directors in CYI through its wholly-owned subsidiaries and no shareholders' resolution may be passed without the affirmative vote of the special share.

As of the Latest Practicable Date, HLA was held by HLCH as to 68.79% directly and as to 1.73% indirectly through Starich Investments, a wholly-owned subsidiary of HLCH. See "Relationship with Our Controlling Shareholders" in this document for further details.

(3) As of the Latest Practicable Date, Coomber Investment Ltd., a wholly-owned subsidiary of Goldman Industrial Ltd., which is in turn wholly-owned by GY, was interested in 20.09% of equity interest of CYI. Therefore, GY indirectly held 20.09% of equity interest of CYI. GY was controlled by Guangxi SASAC.

(4) As of the Latest Practicable Date, CYI, whose shares are listed on NYSE, was held as to 48.70% by HLA (through Hong Leong (China) Limited, HL Technology Systems Pte. Ltd. and Well Summit Investments Limited), 31.21% by public shareholders, and 20.09% by GY Entities.

(5) Intermediate holding companies represents: (i) HLTS which held approximately 22.26% of equity interest of GYMCL; (ii) Earnest Assets which held approximately 21.44% of equity interest of GYMCL; (iii) Cathay Diesel Holdings which held approximately 12.64% of GYMCL; (iv) Tsang & Ong which held approximately 12.64% of equity interest of GYMCL; (v) GSGH which held approximately 5.22% of GYMCL; and (vi) Youngstar which held approximately 2.20% of GYMCL.

(6) As of the Latest Practicable Date, GYMCL was indirectly held as to 76.41% by CYI through its six wholly-owned subsidiaries, 22.71% by GY Entities through its wholly-owned subsidiaries, and the remaining 0.88% of shares were legal person shares. According to the *Standard Opinions on Joint Stock Limited Companies* promulgated by the former State Commission for Economic System Reform in 1992, legal person shares refer to shares formed by an enterprise legal person investing its lawfully disposable assets into the company, or shares formed by an institution or social organization with legal person status investing in the company using assets that the state permits for business operations. The legal person shares of GYMCL were formed by enterprise legal persons, institution and social organization with legal person status investing into GYMCL at its incorporation in 1992. The legal person shares carry the same rights as, and rank pari passu with, other shares of GYMCL.

GYMCL has entered into an equity custody agreement with Guangxi United Equity Custody Center Co., Ltd. ("**United Equity Custody Center**"), and as of the Latest Practicable Date, all of the legal person shares of GYMCL were held in custody at United Equity Custody Center. According to the register of legal person shareholders maintained by the United Equity Custody Center, as of August 13, 2026, GYMCL had a total of 283 legal person shareholders in the PRC.

(7) As of the Latest Practicable Date and by virtue of the acting-in-concert arrangement among the Limited Partnership Platform and GYMCL, each of Yulin Dayingjia, Yulin Changyingjia and Yulin Zhongli shall act in concert with GYMCL when exercising the right to vote as a shareholder of the Company. See "Acting In Concert Arrangement" in this section for further details.

(8) As of the Latest Practicable Date, the remaining 25% equity interests of Yuchai Power Solutions was held by Guangxi Yuchai Power Machinery Co., Ltd (廣西玉柴動力股份有限公司), a subsidiary of GY Entities .

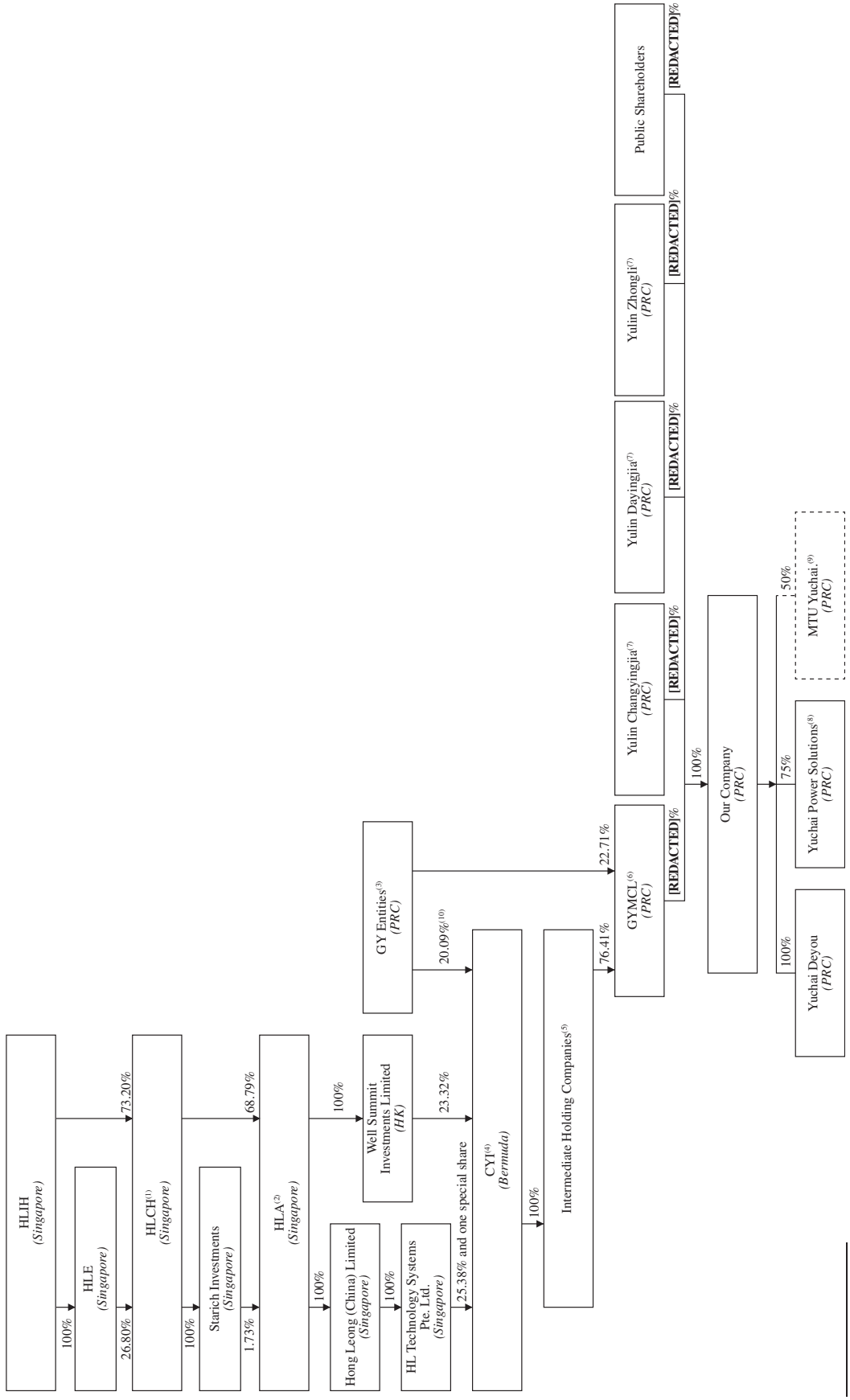
(9) As of the Latest Practicable Date, MTU Yuchai was a joint venture company in which 50% of equity interest was held by the Company, and the remaining 50% equity interests of MTU Yuchai was held by Rolls-Royce. See "Our Subsidiaries and Joint Venture — MTU Yuchai" in this section for further details.

(10) GY held 20.09% of the shares of CYI through GY Entities.

(11) As of the Latest Practicable Date, GYMCL directly held 93.46% of our Company's equity interest, and Yulin Changyingjia, Yulin Dayingjia and Yulin Zhongli held 4.29%, 1.67% and 0.58% of equity interest of our Company, respectively. If we were to include GYMCL's attributable interest in the Limited Partnership Platforms (meaning its percentage equity interest in each of Yulin Changyingjia, Yulin Dayingjia and Yulin Zhongli), GYMCL's attributable interest in the Company will increase by 0.55% and amounted to a total of 94.01%.

OUR STRUCTURE IMMEDIATELY FOLLOWING THE [REDACTED]

The chart below sets out the shareholding structure of our Group immediately following completion of the **[REDACTED]** (assuming that **[REDACTED]** is not exercised):



Notes (1) to (10): Please refer to the shareholding and corporate structure immediately prior to the completion of the **[REDACTED]**.

OVERVIEW

GYMGP Today

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

Our Milestones

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

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

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

Our Brand and Product Portfolio

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

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

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

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

Our Go-to-Market Approach

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

Our Globalization Efforts

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

Our Global Opportunities

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

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

Our Financial Performance

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

OUR COMPETITIVE STRENGTHS

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

Leading power generation solution provider in China

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

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

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

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

Comprehensive and competitive product portfolio

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

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

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

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

Systematic, proprietary and forward-looking R&D capabilities

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

(a) ***High-strength, lightweight design technology:*** Our high-strength, lightweight and low-inertia design achieves high power density and high-speed performance for large-bore power generator engines, addressing common issues in traditional large-bore engines such as complex structure, heavy weight and poor rigidity. As of the Latest Practicable Date, our VC series (including YC16VC and YC12VC series) was the only domestically-produced series of V-type high-speed diesel power generator engines in China with a cylinder bore of 200 mm or greater.

(b) ***High-efficiency, clean combustion technology:*** Our proprietary and advanced obliquely-mounted EUP system, designed specifically for high-speed, high-power power generator and marine diesel engines, achieves high-efficiency clean combustion, low cost and strong fuel adaptability.

(c) ***Intelligent control technology:*** Our full-function, high-power controller with an integrated electronic control unit (ECU) that is compatible to different fuel engines. It features intelligent control of air-fuel ratio and knocking, ensuring stable operation under diverse fuel source conditions and in demanding industrial scenarios.

(d) ***Integrated grid-connection control technology for power-station generator-set clusters:*** Our integrated grid-connection control technology for power-station generator-set clusters focuses on the integrated design across high-speed, high-power power generator engines, high-efficiency alternators, highly elastic couplings, efficient waste heat recovery units, intelligent generator set control systems, multi-unit grid-connection control systems, intelligent monitoring and alarm systems, containerized systems and fire protection linkage systems. Such technology aims to address the challenges of multi-functional requirements and high integration levels in power stations.

(e) ***Marine propulsion system technology:*** By adopting simulation-based hull-engine-propeller matching analysis, this technology addresses inefficiencies, high energy consumption and power response lag in the main propulsion system of marine engineering vessels operating under complex sea conditions and variable loads. It achieves optimal matching between the engine, gearbox and propeller, ensuring high overall propulsion efficiency.

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

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

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

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

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

Engineering excellence across the entire value chain

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

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

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

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

Extensive sales and service network and expanding global footprint

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

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

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

Visionary management team with proven track record of innovation

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

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

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

OUR STRATEGIES

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

Deepen penetration in core applications to solidify market position

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

(1) ***Data center backup power applications.*** We plan to grow engine sales by establishing long-term partnerships with top-tier anchor customers, including leading internet technology and cloud service providers, and establish benchmark projects to strengthen brand recognition. We will obtain international certifications to expand into overseas markets and grow high-end market share amid global data center growth. We will refine our multi-generator set cluster grid-connected solution, provide customized OEM solutions and collaborate with OEM partners to develop tailored backup power solutions.

(2) ***Distributed prime power station applications.*** We seek to expand market share by addressing core needs in industrial parks, regional energy centers and small-to-medium-sized mining sites. We will deepen cooperation with domestic regional energy operators and overseas small- and medium-sized energy enterprises to develop standardized solutions for distributed prime power stations, and build a digital O&M platform offering real-time energy consumption monitoring and predictive maintenance alerts.

(3) ***Infrastructure construction power generation applications.*** We will establish long-term partnerships with EPC contractors, local infrastructure construction platforms and engineering project operators, and develop benchmark cases to enhance brand relevance in infrastructure and engineering sectors.

(4) ***Medium-speed marine engine applications.*** We plan to gradually expand into the medium-speed marine engine segment from our current high-speed marine engine portfolio. We will deepen cooperation with leading shipyards and ocean-going shipowners by providing integrated medium-speed engines and marine propulsion power solutions. We will also pursue international classification society certifications and penetrate emerging shipbuilding markets including Asia and South America via local distributor networks.

Enrich product portfolio to cover full-scenario power demands

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

(1) ***Refine power generator engine product offerings.*** We will address multi-scale power generation needs, deepen penetration in core applications and enhance product adaptability. For large-scale data centers and industrial facilities, we will develop engines exceeding 5,000 kW with improved modular design and better multi-generator set cluster compatibility. For medium-to-large oil & gas fields, we will develop high-efficiency power generator engines with fuel consumption below 174g/kWh and enhanced maintainability in extreme environments. For overseas rural infrastructure, small-to-medium industrial applications and telecom base stations, we will upgrade existing models with intelligent remote operation and maintenance features, and boost regional energy adaptability. We will build a tiered portfolio with large engines as flagship and medium- to light-duty engines as support to cover both large centralized and small distributed applications.

(2) ***Improve marine engine product spectrum for green shipping transformation.*** We will capture the high-end and low-carbon trends by expanding product categories. We will upgrade medium-speed marine engines for high-end applications including ocean cargo vessels, tugboats and large offshore engineering platforms, and establish a marine engine portfolio covering diverse vessel types and routes.

(3) ***Promote fuel type diversification and low carbon and energy adaptability.*** We will enhance multi-fuel compatibility across conventional, low-carbon and zero-carbon fuels, supported by dedicated test bench investment. For conventional fuels, we will optimize clean combustion, cut fuel consumption and emissions, and strengthen fuel filtration and corrosion protection. For low- and zero-carbon fuels, we will develop engines compatible with natural gas, biodiesel, methanol, hydrogen and ammonia, as well as flexible fuel-switching control systems to reduce fuel dependence and deliver customized solutions.

(4) ***Focus on scenario-based product customization.*** We will provide tailored power solutions for specific scenarios. For hyperscale data center backup power, we will develop dynamic load distribution algorithms for multi-generator set clusters with intelligent and energy storage coordination for high-stability operation. For high-dust and extreme-cold environments, we will upgrade air filtration, cold-start, load-bearing, cooling and lubrication systems with improved corrosion and dust protection. For marine applications in harsh ocean conditions, we will enhance engine-propeller matching and low-carbon fuel engine adaptability across vessel types and routes.

Fortify technological R&D to consolidate core technological barriers

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

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

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

Expand production capacity and optimize supply chain

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

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

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

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

Expand global footprint and service network

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

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

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

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

BUSINESS MODEL

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

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

PRODUCTS AND SERVICES

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

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

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

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

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

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

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

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

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

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

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

Power Generator Engines

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

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

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

Note:

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

Large engines

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

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

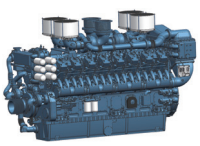
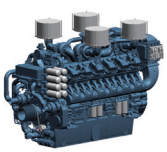
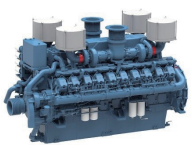
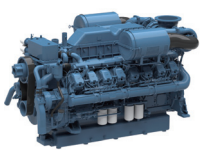
Primary applications of our large engines include data centers, distributed power stations, financial institutions, high-end manufacturing, mining and oil & gas exploration, etc. Among such applications, we had, during the Track Record Period, focused on and intend to continue to focus on data centers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

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

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

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

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

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

Heavy-duty engines

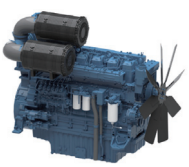
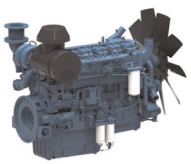
Our heavy-duty engines feature high power density, compact structure and low weight. Our heavy-duty engines achieve strong performance in terms of power output, fuel economy, emissions and noise, vibration and harshness (NVH).

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

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

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

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

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

Medium- to light-duty engines

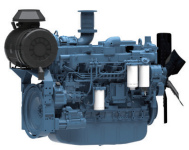
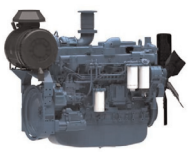
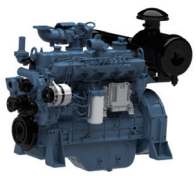
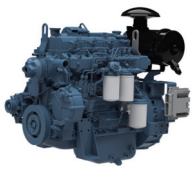
Our medium- to light-duty engines feature a wide range of specific power outputs and speeds, strong adaptability to various applications and low maintenance and operating costs. Such engines have low emissions and, combined with advanced exhaust treatment technologies, are more capable of complying with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

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

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

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

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

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

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

- ***High reliability***. Built on years of technological accumulation and development, our high-reliability design enables consistent performance in power generation applications and reduces maintenance and operating costs. Many series of our power generator engines, such as YC16VC, YC12VC, YC20VTD and YC16VTD series, have passed bench reliability tests of at least 2,000 hours evidencing design robustness and reliability. Our engines are designed for an overhaul period (being the scheduled maintenance interval during the engine's life cycle to improve its performance) ranging from 20,000 to 60,000 cumulative operating hours.

- ***High responsiveness***. Our diesel engines offer robust transient response to sudden load changes, making them well-suited for data centers which impose stringent requirements on load capability of power generator sets. Adopting our proven electronic fuel injection technology, a typical 2 MW power generator set integrated with our YC16VC series power generator engine can achieve a maximum transient load acceptance of 77% while meeting the

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

- ***Low fuel consumption***. By applying our proprietary and advanced obliquely-mounted EUP system, designed specifically for high-speed, high-power power generator and marine diesel engines, we have achieved technical breakthroughs in high-efficiency and clean combustion. Certain series of our diesel power generator engines can achieve a minimum fuel consumption rate of 189 g/kWh or less. Across the industry, the fuel consumption rate of power generator engines generally ranges between 190 and 250 g/kWh, varying by brand, model, specifications, etc., according to Frost & Sullivan. Lower fuel consumption reduces fuel costs and lowers the operational cost for power plants.

- ***High power density***. Through our advanced high-strength structural design, we have achieved major breakthroughs in the structural design for high-speed, high-power power generator diesel engines. A number of our power generator diesel engines can achieve a brake mean effective pressure (BMEP) of above 3.3 MPa. High power density reduces the sizes of the power generator sets and thus requires smaller storage spaces and, in turn, lowers construction costs of facilities.

- ***Lightweight design***. By applying our proprietary core technologies, we have achieved lightweight design of our major engine components. Coupled with our unique "small cylinder center distance" design, a number of our power generator diesel engines can achieve a power-to-weight ratio exceeding 0.4 kW/kg. Such lightweight design lowers the transportation and installation costs for our engines.

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

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

Marine Propulsion and Auxiliary Engines

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

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

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

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

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

Power Generator Sets

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

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

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

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

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

Engine Components and Others

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

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

Product Life Cycle

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

RESEARCH AND DEVELOPMENT

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

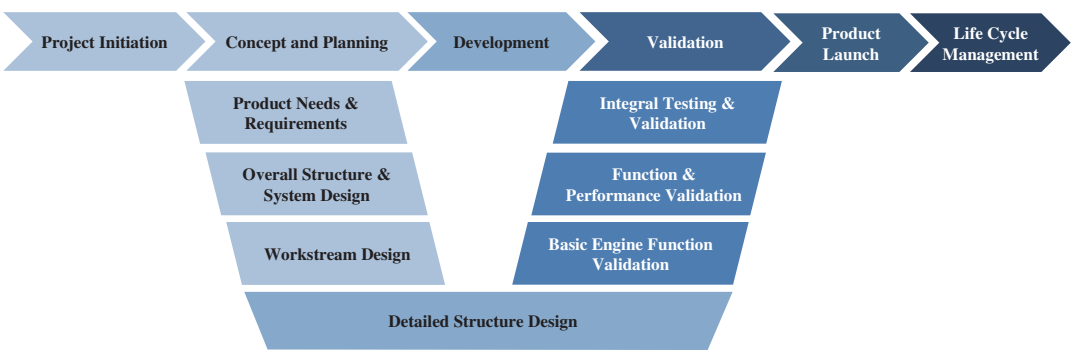
R&D Capabilities

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

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

R&D Process

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



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

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

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

- ***Development Stage:*** At the development stage, our engineers translate high-level requirements into detailed specifications and complete the engine's detailed structure and systems design.

- ***Validation Stage:*** At the validation stage, we begin with basic engine function validation to confirm that the assembled engine achieves key operating metrics. We then perform function and performance validation and integral validation, assessing parameters such as power output, torque, fuel consumption and emissions against the product specifications and technical targets established at the concept and planning stage, thereby preparing the product for launch.

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

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

R&D Strategies

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

(1) ***Market-Driven and Forward-Looking Research and Development:*** As an initial step for any R&D project, we conduct extensive market research and analysis to ensure that our products can fulfill customer requirements and expectations and support commercial viability. Our dedicated research team tracks industry technology trends, monitors new technologies, methods, materials and regulatory policies, as well as assess their potential impact.

(2) ***Modularized Design and Close Coordination with Supply Chain:*** For any R&D project, we endeavor to secure supply of components and delivery of pre-made components from our preferred suppliers. Through such efforts, we have adopted modularized design to improve the efficiency of our R&D projects.

(3) ***Experiment-Driven and Strong Focus on Product Upgrade:*** We place great emphasis on comprehensive testing of protocol engines, including performance calibration, emission and reliability, in respect of each relevant R&D project. We monitor the performance of new or upgraded products after production for continued product updates and improvements.

(4) ***Small-Scale Pilot Production and Speedy Validation:*** We conduct small-scale pilot production to validate the prototypes. We aim to achieve speedy verifications of product upgrades through the process of transforming relevant prototypes to small-scale product production.

(5) ***Full Life Cycle Product Management:*** We adopt the full life cycle product management approach towards a new product. Our related R&D efforts extend throughout the entire process covering initial concept, design, development, prototyping, launch and after-sales servicing.

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

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

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

- High peak firing pressure technology (高爆壓技術): High peak firing pressure technology focuses on designing engines to safely withstand high combustion burst pressure. Our ongoing work centers on structural design enhancement for critical components including cylinder block, cylinder head and crankshaft, material selection and manufacturing processes intended to reliably withstand higher peak firing pressures and the associated stresses.

- HPCR technology: HPCR technology is a fuel injection system where the injection pressure is not limited by the engine speed. The system consists primarily of a low-pressure fuel transfer pump, high-pressure fuel pump, high pressure common rail, high-pressure fuel lines, injectors and an ECU, efficient coordination of which can reduce fuel consumption and emissions.. We are further developing HPCR fuel injection systems, advancing toward ultra-high injection pressures (exceeding 2,500 bar) in line with industry trends.

- Efficient turbocharging technology (高效增壓技術): The core of turbocharging technology is to compress intake air to increase the air density in the cylinders, enabling more complete combustion of fuel, thereby boosting power output and reducing fuel consumption. Through the development and application of efficient turbocharging technologies — such as sequential turbocharging and two-stage turbocharging — we aim to deliver strong starting performance, high torque, robust load capability and overall reliability across a broad range of industry applications.

- Spark plug pre-chamber ignition technology (火花塞預燃室技術): The spark-plug pre-chamber ignition technology is a key ignition technology for gas engines that improves thermal efficiency and emission levels. Its core lies in adding a miniature pre-chamber above the engine's main combustion chamber, with the spark plug installed inside this pre-chamber. We are applying and refining it in gas-fueled generator engine series and selected marine engine series.

- Intelligent control technology (智能控制技術): We have developed and are enhancing a full-functional high-power ECU featuring integrated hardware and software. This ECU is capable of adapting to a wide variety of gaseous fuels and incorporates intelligent air-fuel ratio and knock control functions. It ensures stable and reliable engine operation even under complex and variable gas-quality conditions, making it particularly suitable for demanding industrial applications.

PRODUCTION

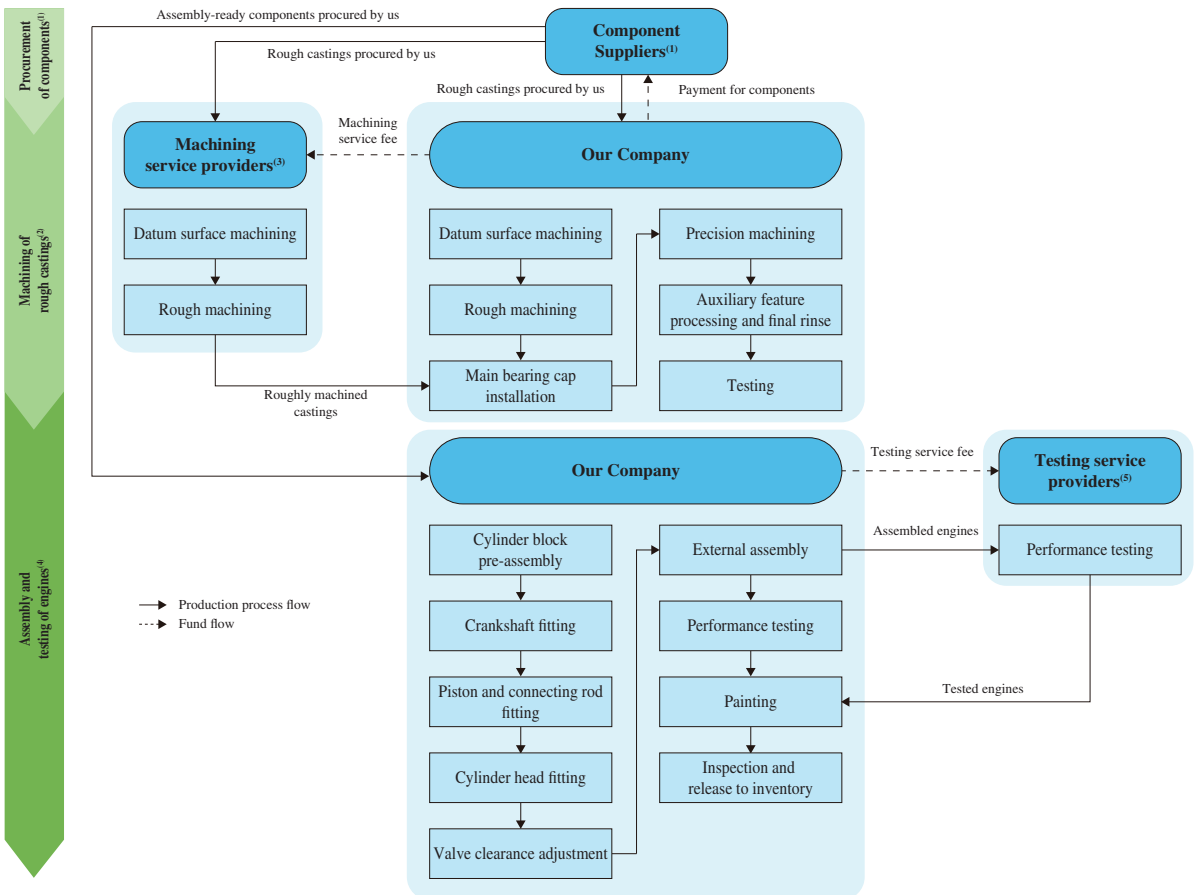
Production Process — Engines

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

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

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

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



Notes:

(1) We procure from component suppliers (i) rough castings of major engine components, primarily cylinder block and cylinder head rough castings, and (ii) assembly-ready components, primarily including crankshafts, pistons, connecting rods, turbochargers, etc. During the Track Record Period, we procured engine components from both Independent Suppliers and Related Parties. See "Supply Chain — Procurement" and "Transactions with the Related Parties" in this section for details. Before March 2024, we produced cylinder block rough castings in-house for our self-produced large and heavy-duty engines. In March 2024, we transitioned to sourcing such rough castings from suppliers, primarily GYMCL Related Parties, as they offer better economies of scale, allowing us to focus on more complex machining processes.

(2) We machine rough castings, primarily cylinder block and cylinder head rough castings, by processing them into assembly-ready components that meet designed specifications. Cylinder blocks and cylinder heads are core engine components that, together with other parts, form the combustion chamber, cooling and lubrication passage and serve as the base for all major moving components. Their machining precision directly determines the overall assembly accuracy and engine performance. Average machining time varies by model, ranging from 15 to 100 hours for

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

(3) We outsource the datum surface machining and rough machining processes for cylinder blocks and cylinder heads for certain series to specialized and qualified machining service providers. Such processes have relatively low technical complexity, making them suitable for outsourcing. Under this arrangement, we instruct our component suppliers to deliver rough castings we procure directly to these service providers, who then perform the relevant machining and deliver roughly machined castings to us. This approach allows us to leverage specialized and qualified suppliers' capabilities, optimize resource allocation, reduce lead-time, and enhance supply resilience while maintaining consistent material quality and dimensional accuracy. Average rough machining time varies by model, ranging from 10 to 75 hours for cylinder blocks and three to eight hours for cylinder heads.

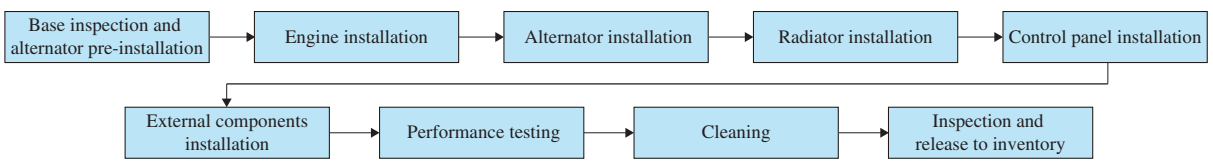
(4) We assemble and test engines by integrating machined cylinder heads and cylinder blocks with fuel supply, turbocharging, cooling and lubrication, and electrical systems, and other components into finished engines. This is followed by comprehensive end-of-line testing, including break-in tests, performance tests, and three-leak inspections, to verify performance, emission compliance, and reliability prior to inventory release or delivery. Average assembly and testing time ranges from 8 to 15 days, depending on the engine series.

(5) We outsource the performance testing process for some medium- to light-duty and marine engine series to specialized and qualified contractors due to our constrained in-house testing capacity. This allows us to concentrate our capacity on higher-margin models while meeting market demand for these engines. Average testing time ranges from 0.5 to four hours, depending on the engine series.

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

Production Process — Power Generator Sets

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



Production Facilities

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

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

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

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

	FY2023	FY2024	FY2025	1H2026
Engines				
Effective production capacity (units)[(1)]	14,260	16,507	23,520	14,360
Actual production volume (units)	12,603	15,349	23,201	13,545
Utilization rate (%)[(2)]	88.4	93.0	98.6	94.3

	November — December 2025	1H2026
Power generator sets[(3)]		
Effective production capacity (units)[(4)]	170	620
Actual production volume (units)	137	600
Utilization rate (%)[(2)]	80.6	96.8

Notes:

(1) The effective production capacity for engines is the maximum possible units of engines that could be produced in our engine assembly and testing lines for the year/period, which is calculated based on the following assumptions: (i) all the machining and engine assembly and testing lines are operating at full capacity, excluding downtime for equipment maintenance and repairs, product model changeovers and material wait times; (ii) our machining and engine assembly and testing lines operate for 250 days on an annual basis (which has taken into account the normal maintenance and repair downtime required); (iii) our machining and engine assembly and testing lines operate for eight hours on a daily basis. During the Track Record Period, our effective production capacity increased primarily due to increased staffing, the addition and upgrading of equipment, and improvements in process and technological efficiency.

(2) Utilization rate is calculated as dividing the actual production volume by the effective production capacity for the same year/period.

(3) Production lines of engines and power generator sets are not interchangeable. Prior to November 2025, we did not have a dedicated production line for power generator sets. During this period, we produced power generator sets on our new product assembly and testing line to satisfy ad hoc orders. Such line is primarily used for assembling and testing new engine products under R&D and for industry exhibition purposes, and was not designed for regular production of power generator sets. Therefore, utilization rates for power generator sets for FY2023, FY2024 and the first ten months of FY2025 are not applicable. Our dedicated production line, being an assembly and testing line, for power generator sets commenced operations in November 2025.

(4) The effective production capacity for power generator sets is the maximum possible units of power generator sets that could be produced in our power generator set assembly and testing line for the period, which is calculated based on the following assumptions: (i) the power generator set assembly and testing line is operating at full capacity, excluding downtime for equipment maintenance and repairs, product model changeovers and material wait times; (ii) our power generator set assembly and testing line operates for 250 days on an annual basis (which has taken into account the normal maintenance and repair downtime required); (iii) our power generator set assembly and testing line operate for eight hours on a daily basis.

Our Expansion Plan

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

Production Equipment

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

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

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

Production Planning

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

INTELLECTUAL PROPERTIES

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

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

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

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

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

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

QUALITY CONTROL

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

Quality Control in Product Design and Development

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

Quality Control in Supply Chain Management

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

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

Quality Control in Production Process

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

Quality Control in After-Sales Services

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

Quality Accreditations

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

SUPPLY CHAIN

Procurement

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

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

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

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

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

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

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

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

Supplier Selection Process

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

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

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

Key Terms of Procurement Agreements

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

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

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

- **Purchase order:** we place orders to the suppliers via our supplier relationship management (SRM) system, email or other agreed methods.

- **Price:** the unit price of the components for mass-production or finished engines is typically specified in the framework agreements. The unit price for components is usually subject to a price adjustment mechanism considering raw material cost fluctuations.

- **Minimum purchase quantity:** there is no minimum purchase commitment.

- **Delivery, inspection and product returns:** the suppliers shall generally be responsible for product delivery and costs of delivery. We conduct inspections after products are delivered. For defective products, we shall be entitled to a return or replacement by the suppliers or other remedies.

- **Warranty period:** depending on the type of components involved, the warranty period is typically three to 24 months from the inspection date, the date of completion of on-site commissioning of power generator sets or engines, or the date of sales invoice, as the case may be. Suppliers shall provide free repair, replacement or return or warranty compensation for defective products identified during the warranty period.

- **Credit terms and payment method:** the credit terms and payment method shall be in accordance with the framework agreements. We are typically offered a credit term of 30–90 days.

- **Duration, termination and renewal:** the term of framework agreements is typically one year, which, upon expiry and through parties' mutual agreement, could be extended to the date on which parties enter into a new agreement. The framework agreement may be terminated (i) by mutual agreement, (ii) by us in the event of a material breach by the supplier, or (iii) by the supplier on six months' prior notice with our written consent.

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

- **Purchase order:** we place orders to the supplier via our SRM system, email or other agreed methods.

- **Price:** the unit price of the relevant components is typically specified in an annual price agreement reviewed and signed annually. The price shall be adjusted annually considering changes in commodity prices, exchange rates and inflation rates.

- **Minimum purchase quantity:** the annual minimum purchase quantity is set out in the framework agreement. If the actual purchase quantity is lower than the minimum purchase quantity, parties will renegotiate the prices. In addition, at the end of each year, the parties will agree on an estimated purchase quantity for the following year.

- **Delivery, inspection and product returns:** the supplier shall be responsible for product delivery and costs of delivery. We conduct inspections after products are delivered. For defective products, we shall be entitled to a return or replacement by the supplier or other remedies.

- **Warranty period:** the earliest of 2,000 engine operation hours, 12 months from the date of completion of engine commissioning or 18 months from the production date. The supplier shall provide free repair, replacement or return or warranty compensation for defective products identified during the warranty period.

- **Credit terms and payment method:** the credit terms and payment method shall be in accordance with the framework agreement. We are offered a credit term of 90 days.

- **Duration, termination and renewal:** the term of the framework agreement is five years, which, upon expiry, will be automatically renewed on an annual basis unless terminated by either party on six months' prior notice. The framework agreement may be terminated, among others, (i) by either party in the event of a material breach by the other party which remains unremedied for an agreed period, (ii) by us if delivery is delayed for more than five months, or (iii) by the supplier if payment is delayed for more than 16 weeks.

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

- **Specifications:** we shall specify product specification in the procurement agreement.

- **Delivery, inspection and product returns:** we typically take delivery at suppliers' warehouses, arrange transportation and bear the delivery costs. Product inspection shall generally be conducted at the end-user customers' designated places or our warehouses. Within a specified period prior to the delivery date, we may require the supplier to accept a return in whole or in part.

- **Credit terms and payment method:** the credit period and payment method shall be in accordance with the procurement agreement. Payments are typically made in installments, with a deposit before delivery followed by post-delivery payments.

- **Technical support and warranty period:** the supplier shall provide technical support and warranty services to us and/or our end-user customers during the warranty period. The warranty period is typically one to five years from the date on which the commissioning and testing of the power generator sets are successfully completed.

- **Termination:** we may terminate the procurement agreement in the event that, among others, (i) the first prototype power generator set produced by the suppliers fails to satisfy our testing requirements, or the subsequent products do not conform to the first prototype; (ii) the suppliers assign the procurement agreement to third parties; or (iii) product quality or the warranty services fail to meet the agreed requirements and are not remedied within the agreed period.

Contract Manufacturing

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

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

Suppliers

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

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

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

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

Rank	Supplier	Type of products purchased by us	Year of commencement of business relationship	Credit terms	Payment methods	Purchase Amount	Percentage of total purchase
						(RMB'000)	%
FY2024							
1	GY Entities[(1)]	Heavy-duty, medium- to light-duty and marine engines, engine components, fuels and logistics services	2022	0–90 days	Bank transfer/ acceptance bill	626,825	17.5
2	GYMCL Related Parties[(2)]	Heavy-duty, medium- to light-duty and marine engines, engine components and testing services	2022	30–91 days	Bank transfer/ acceptance bill	514,350	14.4
3	MTU Yuchai[(3)]	Large engines	2022	30 days	Bank transfer	256,627	7.2
4	Supplier A[(4)]	Crankshafts	2022	60 days	Bank transfer/ acceptance bill	101,800	2.8
5	Supplier B[(5)]	High-power HPCR fuel injection pumps and fuel injectors	2022	90 days	Bank transfer/ acceptance bill	86,306	2.4
					Total	**1,585,908**	**44.4**

Rank	Supplier	Type of products purchased by us	Year of commencement of business relationship	Credit terms	Payment methods	Purchase Amount	Percentage of total purchase
						(RMB'000)	%
FY2025							
1	GY Entities[(1)]	Heavy-duty, medium- to light-duty and marine engines, engine components, fuels and logistics services	2022	0–90 days	Bank transfer/ acceptance bill	882,395	15.5
2	GYMCL Related Parties[(2)]	Heavy-duty, medium- to light-duty and marine engines, engine components and testing services	2022	30–91 days	Bank transfer/ acceptance bill	763,129	13.4
3	MTU Yuchai[(3)]	Large engines	2022	30 days	Bank transfer	292,801	5.2
4	Supplier C[(6)]	Alternators	2023	60 days	Bank transfer/ acceptance bill	222,635	3.9
5	Supplier A[(4)]	Crankshafts	2022	60 days	Bank transfer/ acceptance bill	166,440	2.9
					Total	**2,327,400**	**40.9**

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

Notes:

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

(2) GYMCL is a joint stock company with limited liability headquartered in Guangxi incorporated in 1992 with approximately RMB473.0 million in registered capital, principally engaged in the design, manufacture, assembly and sales of a wide variety of light-, medium- and heavy-duty engines for trucks, buses, pickups, construction and agricultural equipment. GYMCL is our Controlling Shareholder, and GYMCL Related Parties will become our connected persons upon Listing.

(3) MTU Yuchai is a private company headquartered in Guangxi founded in 2017 with approximately RMB150 million in registered capital, principally engaged in development, manufacture, sales and related technical services of non-road engines; and a 50-50 joint venture of us and is our Related Party.

(4) Supplier A is a private company headquartered in Liaoning Province founded in 2003 with approximately RMB100 million in registered capital, principally engaged in manufacture of engine crankshafts and forgings.

(5) Supplier B is a private company headquartered in Shanghai founded in 2000 with approximately RMB100 million in registered capital, principally engaged in manufacture and sales of construction machinery and equipment, mechanical devices and related components.

(6) Supplier C is a private company headquartered in Fujian Province founded in 1995 with approximately USD12.2 million in registered capital, principally engaged in manufacture of generators, motors and gearboxes.

(7) Supplier D is a private company headquartered in Hubei Province founded in 2007 with approximately RMB30 million in registered capital, principally engaged in manufacture of water tank radiator.

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

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

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

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

SALES, MARKETING AND CUSTOMERS

Sales and Service Network

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

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

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

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

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

Note:

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

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

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

Sales and Distribution

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

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

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

Direct sales

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

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

Distribution channels

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

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

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

Notes:

(1) Representing distributors from whom we recognize revenues for the period indicated but no revenues recognized for the financial year immediately preceding the period indicated.

(2) Representing distributors from whom we did not recognize revenues for the period indicated but have revenues recognized for the financial year immediately preceding the period indicated. When calculating the total number of distributors at the end of a period, we deduct the number of inactive distributors.

(3) Including one distributor that primarily sold our products in the PRC but also sold to overseas markets and thus was categorized as a domestic distributor.

(4) Our overseas distributors were primarily located in Vietnam, Turkey, Indonesia, Morocco and Bangladesh.

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

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

Distributor selection and management

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

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

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

Anti-cannibalization management

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

Distributor inventory management

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

Key terms of distribution agreements

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

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

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

Marketing

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

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

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

Consignment Arrangements

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

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

Customers

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

In FY2023, FY2024, FY2025 and 1H2026, sales to our largest customer in each year/period amounted to RMB708.4 million, RMB539.4 million, RMB1,269.9 million and RMB1,005.0 million, representing 21.9%, 13.5%, 20.6% and 22.4% of our total revenue, respectively, while sales to our five largest customers in each year/period amounted to RMB1,088.7 million, RMB1,135.8 million, RMB2,118.7 million and RMB1,795.3 million, representing 33.6%, 28.4%, 34.4% and 39.9% of our total revenue, respectively. The increase in the five largest customers' share of total revenue in FY2025 was primarily due to the revenue growth from Customer A, which amounted to RMB1,269.9 million in FY2025, representing 20.6% of our total revenue for the year, compared to RMB141.8 million in FY2023 and RMB222.4 million in FY2024, representing 4.4% and 5.6% of our total revenue, respectively. Revenue growth from Customer A in FY2025 was mainly driven by increased market demand for power generator sets integrated with our engines, particularly for the data center industry.

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

Rank	Customer	Type of products purchased from us	Year of commencement of business relationship	Credit terms	Payment methods	Revenue	Percentage of total revenue
						(RMB'000)	%
FY2023							
1	GY Entities[(1)]	Large, heavy-duty and medium- to light-duty engines and engine components	2022	60–90 days	bank transfer/ acceptance bill	708,393	21.9
2	Customer A[(2)]	Large, heavy-duty, medium- to light-duty and marine engines	2022	90 days	bank transfer/ acceptance bill	141,823	4.4
3	GYMCL Related Parties[(3)]	Heavy-duty and medium- to light-duty engines and engine components	2022	60–225 days[(3)]	bank transfer/ acceptance bill	90,880	2.8
4	Customer B[(4)]	Large and heavy-duty engines	2022	60 days	bank transfer, acceptance bill/other agreed method	75,123	2.3
5	Customer C[(5)]	Large, heavy-duty and medium- to light-duty engines	2022	60 days	bank transfer/ acceptance bill	72,495	2.2
					Total	**1,088,714**	**33.6**

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

Rank	Customer	Type of products purchased from us	Year of commencement of business relationship	Credit terms	Payment methods	Revenue	Percentage of total revenue
						(RMB'000)	%
FY2025							
1	Customer A[(2)]	Large, heavy-duty, medium- to light-duty and marine engines and engine components	2022	90 days or according to the payment schedule between Customer A and its end-user customers	bank transfer/ acceptance bill	1,269,896	20.6
2	GY Entities[(1)]	Large, heavy-duty and medium- to light-duty engines and engine components	2022	60–90 days	bank transfer/ acceptance bill	289,739	4.7
3	MTU Yuchai[(6)]	Engine components	2022	60 days	bank transfer/ acceptance bill	202,444	3.3
4	Customer D[(7)]	Large, heavy-duty and medium- to light-duty engines and engine components	2022	60 days	bank transfer/ acceptance bill	185,357	3.0
5	Customer E[(8)]	Large, heavy-duty and medium- to light-duty engine and engine components	2022	60 days	bank transfer/ acceptance bill	171,262	2.8
					Total	**2,118,698**	**34.4**

Rank	Customer	Type of products purchased from us	Year of commencement of business relationship	Credit terms	Payment methods	Revenue	Percentage of total revenue
						(RMB'000)	%
1H2026							
1	Customer A[(2)]	Large, heavy-duty, medium- to light-duty and marine engines and engine components	2022	90 days or according to the payment schedule between Customer A and its end-user customers	bank transfer/ acceptance bill	1,004,973	22.4
2	Customer F[(9)]	Large, heavy-duty, and medium- to light-duty engines and power generator sets	2022	60 days	bank transfer/ acceptance bill	300,490	6.7
3	Customer B[(4)]	Large and heavy-duty engines	2022	60 days	bank transfer, acceptance bill/other agreed method	205,883	4.6
4	Customer G[(10)]	Large, heavy-duty, and medium- to light-duty engines and power generator sets	2022	90 days	bank transfer/ acceptance bill	151,052	3.4
5	GY Entities[(1)]	Large, heavy-duty and medium- to light-duty engines and engine components	2022	60–90 days	bank transfer/ acceptance bill	132,905	3.0
					Total	**1,795,303**	**39.9**

Notes:

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

(2) Customer A is a private company headquartered in Shenzhen founded in 2016 with approximately RMB200 million in registered capital, principally engaged in design, development and sales of power generation equipment, as well as electromechanical engineering construction. Customer A is an OEM.

(3) GYMCL is a joint stock company with limited liability headquartered in Guangxi incorporated in 1992 with approximately RMB473.0 million in registered capital, principally engaged in the design, manufacture, assembly and sales of a wide variety of light-, medium- and heavy-duty engines for trucks, buses, pickups, construction and agricultural equipment. GYMCL is our Controlling Shareholder, and GYMCL Related Parties will become our connected persons upon **[REDACTED]**. GYMCL Related Parties purchased from us primarily as distributors. The credit period of up to 225 days granted to GYMCL Related Parties was attributable to YC-Europe GMBH, a subsidiary of GYMCL and an overseas customer. This extended credit period was provided for overseas market development and has since been reduced to 180 days effective from 2025 and further reduced to 120 days in June 2026. We also granted credit periods up to 180 days to 240 days to independent third-party overseas customers, and such terms are not uncommon in the engine industry according to Frost & Sullivan. Apart from this exceptional case, the credit periods granted to GYMCL Related Parties are generally 30–90 days, which is in line with the credit periods granted to other domestic customers. Overall, trade and bills receivables turnover days attributable to GYMCL Related Parties were 56 days, 74 days and 94 days in FY2023, FY2024 and FY2025, respectively. In 1H2026, trade and bills receivables turnover days attributable to GYMCL Related Parties were 141 days, primarily due to substantial purchases of engine components by GYMCL Related Parties in June 2026, which substantially increased the period-end receivables balance.

(4) Customer B is a company listed on the Shenzhen Stock Exchange and headquartered in Shanghai founded in 2002 with approximately RMB320 million in registered capital, principally engaged in development, design, production and sales of intelligent eco-friendly power supply equipment. Customer B is an OEM.

(5) Customer C is a private company headquartered in Jiangsu Province founded in 2000 with approximately RMB2,188.8 million in registered capital, principally engaged in manufacture, sales and related technical services of generators and generator sets. Customer C is an OEM.

(6) MTU Yuchai is a private company headquartered in Guangxi founded in 2017 with approximately RMB150 million in registered capital, principally engaged in development, manufacture, sales and related technical services of non-road engines; and a 50-50 joint venture of us and is our Related Party. MTU Yuchai primarily purchased engine components from us for use in its engine manufacture business.

(7) Customer D is a private company headquartered in Guangxi founded in 2020 with approximately RMB5 million in registered capital, principally engaged in manufacture and sales of power generators and power generator sets, new energy prime movers, power distribution switchgear and control equipment. Customer D is an OEM.

(8) Customer E is a private company headquartered in Shandong founded in 1999 with approximately RMB107.6 million in registered capital, principally engaged in manufacturing and sales of power generators and power generator sets, specialized environmental protection equipment and industrial robots. Customer E is an OEM.

(9) Customer F is a private company headquartered in Jiangsu Province founded in 1997 with approximately RMB150 million in registered capital, principally engaged in the R&D, manufacture, and import and export of electromechanical products such as power equipment, household appliances and automotive parts. Customer F is an OEM.

(10) Customer G is a private company headquartered in Jiangxi Province founded in 1996 with approximately RMB852.9 million in registered capital, principally engaged in the provision of electric power information services, automation product services, and electronic product services. Customer G is an OEM.

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

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

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

Pricing

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

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

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

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

Key Terms of Sales Agreements

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

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

- **Delivery term:** For sales of finished engines, the products are delivered to customers' designated location, with costs and risks borne by customers. For sales of engine components, customers generally take delivery from the location designated by us and bear the costs and risks in the delivery process.

- **Duration, termination and renewal:** The term of framework sales agreements is generally one year. The renewal of framework sales agreements is negotiated on a case-by-case basis.

- **Minimum purchase requirement:** We typically do not set minimum purchase requirements in the framework sales agreements, and the exact purchase amount is specified in the individual sales orders.

- **Warranty period:** For sales of finished engines, the warranty period usually ranges from one to five years, depending on the product type, during which we bear the cost of product return and provide maintenance service or make modification or replacement free of charge to our customers.

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

- **Specifications:** We shall specify in the sales agreement with the relevant customers of the type, specification and quantity for the power generator sets.

- **Price:** We typically specify the price of the power generator sets provided to customers in the sales agreement, including unit price and total price.

- **Delivery:** We arrange transportation to our customers' designated delivery places and bear the associated delivery costs.

- **Credit terms and payment method:** The credit period and payment method shall be in accordance with the sales agreement. Payments are typically made in installments, with a deposit before delivery followed by post-delivery payments.

- **Technical support and warranty period:** We shall provide technical support and warranty services for our customers during the warranty period. The warranty period is typically one to five years from the date on which the commissioning and testing of the power generator sets are successfully completed.

- **Termination:** Customers may terminate the sales agreement if, among others, (i) our first prototype power generator set fail to satisfy customers' testing requirements, or the subsequent products do not conform to the first prototype; (ii) we assign the agreement to third parties; (iii) we outsource the production to OEMs without prior approval of the customer; or (iv) product quality or warranty services fail to meet agreed standards and are not remedied within the agreed period.

Customer Service

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

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

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

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

TRANSACTIONS WITH THE RELATED PARTIES

During the Track Record Period, we entered into various transactions with the Related Parties, i.e., GY Entities, GYMCL Related Parties and MTU Yuchai. In FY2023, FY2024, FY2025, 1H2025 and 1H2026, (i) our revenue from the Related Parties amounted to RMB822.6 million, RMB758.8 million, RMB614.3 million, RMB275.3 million and RMB306.8 million, representing 25.4%, 19.0%, 10.0%, 9.2% and 6.8% of our total revenue, respectively, (ii) our gross profit attributable to the Related Parties amounted to RMB182.3 million, RMB203.6 million, RMB125.9 million, RMB73.5 million and RMB73.9 million, with a gross profit margin attributable to the Related Parties of 22.2%, 26.8%, 20.5%, 26.7% and 24.1%, respectively, and (iii) our purchases from the Related Parties amounted to RMB1,136.1 million, RMB1,397.8 million, RMB1,938.3 million, RMB875.9 million and RMB1,238.2 million, representing 40.5%, 39.2%, 34.1%, 24.2% and 31.5% of our total purchase amount, respectively. During the Track Record Period, our revenue from the Related Parties decreased significantly in both absolute amount and as a percentage of total revenue during FY2023, FY2024 and FY2025, and continued to decrease as a percentage of total revenue in 1H2026. Although our purchases from the Related Parties increased in absolute amount due to increased demand for finished engines and components as our sales grew, their percentage of our total purchase amount decreased during FY2023, FY2024 and FY2025, and continued to decrease in 1H2026 as compared with FY2025, reflecting our reduced reliance on the Related Parties.

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

	FY2023		FY2024		FY2025		1H2025		1H2026	
	Revenue		Revenue		Revenue		Revenue		Revenue	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Power generator engines	**2,457,201**	**75.8**	**3,052,467**	**76.4**	**4,216,096**	**68.6**	**1,954,638**	**65.6**	**3,032,358**	**67.5**
Independent Customers	1,846,910	57.0	2,615,117	65.4	4,081,681	66.4	1,884,334	63.3	2,980,551	66.3
Related Parties	610,291	18.8	437,350	11.0	134,415	2.2	70,304	2.3	51.807	1.2
GY Entities	607,169	18.7	434,486	10.9	124,553	2.0	63,344	2.1	48,625	1.1
GYMCL Related Parties	3,122	0.1	2,864	0.1	9,862	0.2	6,960	0.2	3,182	0.1
MTU Yuchai	—	—	—	—	—	—	—	—	—	—
Marine propulsion and auxiliary engines	**481,183**	**14.9**	**476,999**	**11.9**	**659,287**	**10.7**	**271,102**	**9.1**	**378,152**	**8.4**
Independent Customers	434,019	13.4	457,693	11.4	638,632	10.4	261,921	8.8	361,032	8.0
Related Parties	47,164	1.5	19,306	0.5	20,655	0.3	9,181	0.3	17,120	0.4
GY Entities	44,290	1.4	12,161	0.3	13,271	0.2	6,725	0.2	13,219	0.3
GYMCL Related Parties	2,874	0.1	7,145	0.2	7,384	0.1	2,456	0.1	3,901	0.1
MTU Yuchai	—	—	—	—	—	—	—	—	—	—
Power generator sets	**114,769**	**3.5**	**113,234**	**2.8**	**421,417**	**6.9**	**284,157**	**9.5**	**580,789**	**13.0**
Independent Customers	104,604	3.2	112,848	2.8	419,694	6.9	282,703	9.5	577,692	12.9
Related Parties	10,165	0.3	386	0.0	1,723	0.0	1,454	0.0	3,097	0.1
GY Entities	4,351	0.1	386	0.0	1,707	0.0	1,445	0.0	3,081	0.1
GYMCL Related Parties	5,814	0.2	—	—	16	0.0	9	0.0	16	0.0
MTU Yuchai	—	—	—	—	—	—	—	—	—	—
Engine components and others	**185,855**	**5.8**	**357,096**	**8.9**	**853,639**	**13.8**	**468,219**	**15.8**	**503,082**	**11.1**
Independent Customers	30,872	1.1	55,366	1.4	396,179	6.4	273,878	9.2	268,316	5.9
Related Parties	154,983	4.7	301,730	7.5	457,460	7.4	194,341	6.6	234,766	5.2
GY Entities	52,583	1.6	92,385	2.3	150,208	2.4	67,077	2.3	67,980	1.5
GYMCL Related Parties	79,070	2.4	101,114	2.5	104,808	1.7	43,746	1.5	53,092	1.2
MTU Yuchai	23,330	0.7	108,231	2.7	202,444	3.3	83,518	2.8	113,694	2.5
Total	**3,239,008**	**100.0**	**3,999,796**	**100.0**	**6,150,439**	**100.0**	**2,978,116**	**100.0**	**4,494,381**	**100.0**
Independent Customers	2,416,405	74.6	3,241,024	81.0	5,536,186	90.0	2,702,836	90.8	4,187,591	93.1
Related Parties	822,603	25.4	758,772	19.0	614,253	10.0	275,280	9.2	306,790	6.9
GY Entities	708,393	21.9	539,418	13.5	289,739	4.7	138,591	4.6	132,905	3.0
GYMCL Related Parties	90,880	2.8	111,123	2.8	122,070	2.0	53,171	1.8	60,191	1.4
MTU Yuchai	23,330	0.7	108,231	2.7	202,444	3.3	83,518	2.8	113,694	2.5

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Transactions with GY Entities

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

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

No.	Role of our Group	Role of GY Entities	Product/Service/Others	Description
(3)	Repair service provider	Component supplier	Repair services	In the event of defects in components supplied to us by GY Entities, where such defects cannot be remediated on a timely basis, we repaired, replaced or otherwise remediated the defects ourselves and subsequently charged GY Entities repair service fees.
II.	**Our Purchase from GY Entities**			
Purchase of products and receipt of services by our Group from GY Entities				
(4)	Engine provider	Supplier	Finished engines, including certain heavy-duty, medium- to light-duty and marine engines with lower rated power	We purchased certain finished engines from GY Entities to supplement our product portfolio. See "Reasons for Sourcing Finished Engines from the Related Parties" below.
			Engine components, such as connecting rods, main bearing caps and gear case covers	We purchased certain components from GY Entities for our production of engines. See "Reasons for Sourcing Components from GY Entities and GYMCL Related Parties" below.
			Diesel fuel for R&D and testing of engines and steel	We purchased from GY Entities (i) diesel fuel to leverage their existing fueling infrastructure adjacent to our production facilities, thereby saving related infrastructure and logistics costs; and (ii) steel for use in our in-house production of rough castings before our transitioning to sourcing rough castings from suppliers in March 2024.
(5)	Engine provider	Logistics service provider	Logistics services	We utilized GY Entities' established logistics and supply chain network to transport and ship our products to our customers.
Leasing as lessee by the Group from GY Entities				
(6)	Lessee	Lessor	Land and properties	We leased from GY Entities a parcel of land for storage and R&D purposes, as well as certain properties for office use, given their proximity to our R&D, production and office premises.

Transactions with GYMCL Related Parties

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

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

No.	Role of our Group	Role of GYMCL Related Parties	Product/Service/Others	Description
			Power generator sets	We sold power generator sets to GYMCL Related Parties for further distribution to their customers.
(2)	Engine provider	End user	Engines	We sold engines to a GYMCL Related Party in a one-off transaction for its own business operations.
(3)	Engine component provider	Engine manufacturer/ engine component manufacturer	Engine components and raw materials	We sold to GYMCL Related Parties (i) general engine components for their production and testing of engines, primarily during periods of inventory shortage, urgent delivery timelines, or when certain accessory parts were not available separately from other suppliers; (ii) rough castings for their production of engines and engine components when we produced rough castings in-house prior to March 2024; and (iii) the remaining work-in-progress rough castings, other components, and raw materials after we transitioned to sourcing rough castings from suppliers.
(4)	Service provider	Engine manufacturer	R&D services	We provided R&D services to GYMCL Related Parties in connection with certain engine R&D projects that commenced when we were still a division of GYMCL and remained ongoing when we began operating as an independent entity, as the related intellectual property had not yet been formed and was not transferable. We continued to carry out the R&D work as R&D services thereafter, and the resulting intellectual property was subsequently transferred to us as intangible assets. See item (12) below in this table.
			Component processing and machining services and engine testing services	We provided to GYMCL Related Parties (i) component processing and machining services to meet their customers' demand on certain components, or in limited cases where they lacked the requisite machining capacity, and (ii) engine testing services for their R&D of new engines.
(5)	Repair service provider	Component supplier	Repair services	In the event of defects in components supplied to us by GYMCL Related Parties, where such defects cannot be remediated on a timely basis, we repaired, replaced or otherwise remediated the defects ourselves and subsequently charged GYMCL Related Parties repair service fees.
Leasing as lessor by our Group to GYMCL Related Parties				
(6)	Lessor	Lessee	Production facilities and casting equipment	We leased certain production facilities and casting equipment to GYMCL Related Parties after transitioning from in-house rough casting production to sourcing primarily from suppliers, as we no longer performed rough casting.
II.	**Our Purchase from GYMCL Related Parties**			
Purchase of products and receipt of services by our Group from GYMCL Related Parties				
(7)	Engine provider	Supplier	Engine components, such as cylinder block rough castings, crankshafts, exhaust pipes and fuel injection pumps	We purchased certain components from GYMCL Related Parties for our production of engines. See "Reasons for Sourcing Components from GY Entities and GYMCL Related Parties" below.
			Finished engines, including certain medium- to light-duty and marine engines with lower rated power	We purchased certain finished engines from GYMCL Related Parties to supplement our product portfolio. See "Reasons for Sourcing Finished Engines from the Related Parties" below.

No.	Role of our Group	Role of GYMCL Related Parties	Product/Service/Others	Description
(8)	Engine provider	Service provider	Production and R&D-related services	We engaged GYMCL Related Parties to provide several production and R&D-related services, including component machining and quality inspection services in production, and engine testing services and mold development services in R&D of new models
			Brand management and shared services and certain other ancillary services	We procured from GYMCL Related Parties brand management and shared services and certain other ancillary services encompassing trademark guidance, brand strategy formulation, brand planning, digital marketing, brand protection support, and certain shared services such as human resources services, tax and finance consulting services, centralized office supplies procurement services, training services and technology services.
(9)	Lessee	Lessor	Utilities (including water and electricity)	We paid GYMCL Related Parties for utilities used at the properties leased from them.
Leasing as lessee by our Group from GYMCL Related Parties				
(10)	Lessee	Lessor	Properties	We leased from GYMCL Related Parties properties primarily consisting of factories and research space for our production and R&D purposes.
Purchases of equipment and technology know-how by our Group from GYMCL Related Parties				
(11)	Engine provider	IT equipment and software provider	IT equipment and software	We procured from GYMCL Related Parties certain IT equipment and operational software system used in our marketing, office, R&D and cost management activities, including our SKY Marketing Management Platform and office automation system.
(12)	Engine provider	Intangible assets provider	Intangible assets, including intellectual property	We purchased from GYMCL Related Parties certain intangible assets, including the intellectual property described in item (4) above, after the relevant R&D projects were completed and the intellectual property became transferable.

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

Transactions with MTU Yuchai

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

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

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

Reasons for Sourcing Finished Engines from the Related Parties

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

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

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

Reasons for Sourcing Components from GY Entities and GYMCL Related Parties

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

Collaboration with the Related Parties

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

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

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

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

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

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

Relationship with the Related Parties

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

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

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

Measures to Mitigate Exposure to Reliance Risks

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

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

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

OVERLAPPING OF CUSTOMERS AND SUPPLIERS

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

GY Entities, GYMCL Related Parties and MTU Yuchai

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

Customer A, Customer D and Customer E

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

Customer B

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

Customer F

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

Supplier A

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

Other Overlapping Customer-Suppliers

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

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

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

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

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

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

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

THIRD PARTY PAYMENT

Background

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

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

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

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

Reasons for Utilizing Third-Party Payment Arrangements

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

Internal Control Measures for Third-Party Payment Arrangements

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

(1) Since January 1, 2026, we have ceased all Third-Party Payment Arrangements;

(2) We circulated notice internally to alert and inform relevant staff members of requirements on identification of, and prohibition on accepting, Third-Party Payment Arrangements;

(3) Our finance department is responsible for maintaining a receipt settlement management ledger, which records, among other information, the customer's name, content of transaction, payment data, payment sum, payment method and the payer's name, so as to ensure that relevant payments are made directly by the relevant customer;

(4) Since January 1, 2026, for all identified payments made by the Third-Party Payers, we will initiate refund to such Third-Party Payers and ask the relevant customers to re-arrange direct payment to us or enter into a third-party payment agreement with us.

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

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

WAREHOUSING, LOGISTICS AND INVENTORY MANAGEMENT

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

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

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

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

INFORMATION TECHNOLOGY

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

- **ERP system:** Our enterprise resource planning (ERP) system integrates master data, sales, procurement, inventory control, production planning and financial and cost accounting, enhancing cross-departmental coordination and supporting decision-making across the Group.

- **Teamcenter product data management system:** The Teamcenter product data management system provides robust control over engineering data, including components and engineering bill of materials management, drawing and document control, and management processes control, ensuring data integrity and traceability throughout the product life cycle.

- **CRM system:** Our customer relationship management (CRM) system for after-sales service manages service networks, service requests, order execution, expense tracking, settlements and warranty claims, strengthening customer support and service quality.

- **SRM system:** Our supplier relationship management (SRM) system facilitates seamless collaboration with suppliers, covering procurement order synchronization, inquiries, quotations and invoice processing to optimize supply chain efficiency.

- **MES system:** Our manufacturing execution system (MES) provides real-time production monitoring and control, including order reception, work order allocation, sequenced parts supply cart management, data collection, production completion reporting, workstation operations and anomaly feedback, enhancing efficiency and product quality.

- **SKY Marketing Management Platform:** Our SKY platform supports front-end sales by managing opportunity leads, letters of intent, application planning and order reviews, enabling effective tracking and conversion of sales opportunities.

JOINT VENTURE WITH ROLLS-ROYCE

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

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

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

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

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

PROPERTIES

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

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

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

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

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

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

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

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

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

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

COMPLIANCE AND LEGAL PROCEEDINGS

Compliance with Laws and Regulations

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

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

Legal Proceedings

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

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

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

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

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

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

U.S. Sanctions

Primary Sanctions risk

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

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

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

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

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

Secondary Sanctions risk

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

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

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

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

Internal Control Measures Against Sanctions Risks

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

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

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

Export Control Risks

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

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

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

INTRA-GROUP TRANSACTIONS

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

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

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

LICENSES, PERMITS AND APPROVALS

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

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

Note:

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

COMPETITION

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

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

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

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

AWARDS AND RECOGNITIONS

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

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

ESG Governance

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

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

ESG Governance Structure

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

Board Diversity

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

Materiality Assessment

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

ESG Risk Identification, Assessment, Management and Mitigation

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

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

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

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

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

- ***Social Risk:***

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

Environment

Environmental Management

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

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

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

Response to Climate Change

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

- Physical Risks: Managed through updated emergency response plans, enhanced drainage and flood control infrastructure, annual drills and dedicated safety funding.

- Transition Risks: Addressed via continuous policy monitoring, adoption of low-carbon technologies, energy mix optimization and digitalized energy management.

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

Metrics and Targets in relation to Environmental and Climate Change

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

- *Greenhouse Gas Emissions*

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

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

	Unit	FY2023	FY2024	FY2025	1H2026
Total greenhouse gas emissions	tons of CO_2 equivalent	30,928.35	41,113.61	47,614.62	32,523.94
Scope 1 greenhouse gas emissions	tons of CO_2 equivalent	17,520.10	27,666.76	29,392.33	21,995.66
Scope 2 greenhouse gas emissions	tons of CO_2 equivalent	13,408.25	13,446.85	18,222.29	10,528.29
Greenhouse gas emissions intensity	tons of CO_2 equivalent per million RMB in revenue	9.55	10.28	7.74	7.63

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

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

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

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

1. **Statistical adjustments from production outsourcing**: In March 2024, the Company transitioned from in-house production of cylinder block rough castings to sourcing them externally. Consequently, the emission data for water, waste, and emission data in FY2023, January and February 2024 include the emission from in-house casting production, while data from March 2024 onward do not. This operational transition is the primary driver for the year-on-year decline in water consumption, non-hazardous waste generation, and exhaust emissions in 2024.

2. **General trend of increased total volume with decreased intensity**: Driven by production capacity expansion, extended bench testing for new product development and increased product reliability tests, the total consumption or generation volumes of the aforementioned metrics generally increased since 2024. However, due to the continuous implementation of energy-saving technologies, water conservation, packaging recycling, waste reduction, and emission treatment projects, the consumption/emission intensity per unit of revenue for all metrics achieved a year-on-year decrease in FY2025. For 1H2026, water consumption intensity and energy consumption intensity increased slightly year-on-year.

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

- *Energy Consumption*[1]

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

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

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

- *Water Consumption*

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

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

- *Packaging Materials Usage*

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

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

- *Waste and Pollution*

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

Waste Generation	Unit	FY2023	FY2024	FY2025	1H2026
Total non-hazardous waste[2]	tons	2,685.86	2,439.41	3,020.53	1,609.73
Non-hazardous waste intensity	tons per million RMB in revenue	0.83	0.61	0.49	0.38
Total hazardous waste	tons	62.15	64.2	51.50	44.40
Hazardous waste intensity	tons per million RMB in revenue	0.02	0.02	0.01	0.01

Wastewater Discharge	Unit	FY2023	FY2024	FY2025	1H2026
Total wastewater discharge[3]	tons	233,521.00	163,110.00	177,371.00	84,795.00
Wastewater discharge intensity	tons per million RMB in revenue	72.10	40.78	28.84	19.89

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

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

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

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

Environmental Targets

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

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

Waste and Pollutant Management

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

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

- ***Wastewater:*** Various types of industrial wastewater generated during the Company's production processes are collected via dedicated pipelines or tanker trucks and transported to GYMCL's specialized wastewater treatment station for unified treatment. This ensures efficient degradation and removal of pollutants in wastewater, achieving compliant and safe discharge.

- ***Air Emission:*** We actively promote the adoption of environmentally friendly coatings in its production and operational processes, replacing traditional solvent-based coatings with water-based coatings to reduce air emission and cut hazardous waste generation at the source.

- ***Waste:*** We centrally collect most of the recyclable metallic waste generated during our production and operational processes, such as scrap iron and waste steel materials, and transports it to the casting division under the GYMCL Group for remelting and regeneration.

Resources Use

- ***Energy Management:*** We strictly adhere to laws and regulations, including the Energy Conservation Law of the PRC (《中華人民共和國節約能源法》), and has established internal regulations, such as the equipment and power management regulations and the measurement equipment management regulations. We have developed and continuously improved our energy management system, which features systematic target decomposition, rigorous performance evaluation, and precise measurement and statistics, forming a closed-loop process in energy management. Implemented energy conservation and consumption reduction measures include: connecting test generator sets to the grid, which feeds electricity back during testing to deliver economic and environmental benefits; monitoring electricity consumption in real-time via smart meters integrated into the Group's digital energy management system; and introducing high-efficiency equipment and optimized processes for core component machining, significantly reducing the time required for key processes and substantially increasing production capacity.

- ***Water Resource Management:*** We have implemented a water resources management system to regulate water usage across production and operational activities, ensuring strict compliance with water extraction regulations to prevent unnecessary waste. We have implemented an internal water circulation and recycling system. Furthermore, a condensate water recovery system has been established to recycle previously discharged water as a high-quality cooling resource.

- ***Packaging Materials Management:*** We are committed to advancing the green transformation of our packaging operations. While ensuring the compliant disposal of packaging materials, we actively promote packaging recycling, and reduce the consumption of packaging materials.

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

Low-carbon Product Development

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

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

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

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

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

Social Responsibility

Labor Rights and Interest

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

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

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

Talent Training and Development

Employee Development

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

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

Employee Training

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

Occupational Health and Safety

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

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

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

The workdays[15] lost to work-related injuries during the periods indicated is as set out in the following table:

	Unit	FY2023	FY2024	FY2025	1H2026
Workdays lost to work-related injuries[16]	days	135	138	37	77

Supply Chain Management

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

- ***Priority Selection and ESG Management of Suppliers:*** We integrate ESG criteria — including environmental certifications, compliance status, and emissions/waste controls-alongside traditional technical and quality assessments into its supplier lifecycle management:

- ***Green Procurement Threshold:*** An independent environmental risk evaluation is incorporated into the potential supplier approval process. Priority is given to suppliers demonstrating sound environmental performance and clean production capabilities. For example, we prioritize crankshaft suppliers that utilize clean production technologies to recycle cleaning fluids and ensure zero dust or wastewater generation during manufacturing.

- ***Procurement of Environmental Friendly Products for Specific Components:*** To minimize the environmental footprint of our products from the technological source, technical drawings mandate eco-friendly specifications, and continuous process optimization is conducted for key components. For example, the cylinder block end cover of the 6TD model originally utilized the lost-foam casting process, which generated VOCs via thermal pyrolysis. This has been replaced with the iron mold casting process, completely eliminating VOC production-phase emissions. In addition, technical drawings explicitly mandate the use of asbestos-free, eco-friendly gasket materials for gear housings to ensure intrinsic product safety.

- ***Continuous Evaluation and Compliance:*** Beyond admission, we conduct annual evaluations across five dimensions (technology, quality, delivery, cost, responsiveness) paired with tiered remediation or exit protocols. Signing ESG and integrity agreements is mandatory for all suppliers, with whistleblowing channels and non-compliance consequences clearly defined.

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

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

Product Quality and Business Ethics

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

Community Engagement and Industry Collaboration

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

INSURANCE

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

EMPLOYEES

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

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

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

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

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

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

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

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

Social Insurance and Housing Provident Fund Contributions

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

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

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

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

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

— We have enhanced our human resources management policies, which require social insurance and housing provident fund contributions to be made in full in accordance with applicable local requirements;

— We have designated our human resources department to review and monitor the reporting and contributions of social insurance and housing provident fund semi-annually;

— Our human resources department will proactively communicate with the competent social insurance and/or housing provident fund authorities and to stay informed about relevant policies and contribution requirements; and

— We will consult our PRC Legal Advisor on a regular basis for advice on relevant PRC laws and regulations to keep us abreast of relevant PRC laws and regulatory developments, including but not limited to PRC laws and regulations in relation to social insurance and housing provident funds, and will provide relevant employees with legal compliance trainings relating to the same.

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

(1) ***Anti-corruption and anti-fraud risk management:*** our Board is directly responsible for the anti-corruption and anti-fraud risk management. We have established a whistle-blower inbox encouraging the internal reporting of suspicious activities in the area. We require all suppliers to execute anti-corruption commitments.

(2) ***Connected transactions management:*** we have put in place connected transactions management policies for all of our Directors and employees to comply with. Trainings will be arranged for all of our Directors and senior management members on the relevant regulatory and listing requirements in relation to our responsibilities and duties under these policies.

(3) ***Business operation risk management:*** we have adopted various measures and procedures regarding relevant aspects of our business operation. We regularly monitor the implementation of these measures and provide regular training on these measures and procedures to our employees.

(4) ***Financial reporting risk management:*** we have in place a set of policies and procedures for our financial reporting risk management. Our financial department reviews our management accounts to ensure our compliance with such policies and procedures.

(5) ***Audit Committee and Board oversight:*** we have established the Audit Committee to revise and supervise our financial reporting process and internal control system on an ongoing basis. The Audit Committee consists of four members, namely, Mr. Chan Ngai Fan, Mr. Neo Poh Kiat, Mr. Fan Hao and Ms. Fan Conghui, with Mr. Chan Ngai Fan being the chairperson of the committee. See "Directors and Senior Management — Board Committees" in this document.

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

OVERVIEW

Upon **[REDACTED]**, our Board will consist of nine Directors, comprising three executive Directors, three non-executive Directors and three independent non-executive Directors. Our executive Directors and non-executive Directors are appointed for a term of three years, and our independent non-executive Directors are appointed for a term of one year. Our Directors are eligible for re-election upon expiry of their term of office. The Board is responsible for and has the general power over the management and operation of our business, including determining our business strategies and investment plans, implementing resolutions passed at our general meetings, and exercising other powers, functions and duties as conferred by the Articles of Association. The Board also assumes the responsibilities for developing and reviewing the policies and practices of the Company on corporate governance, risk management, internal control and compliance with legal and regulatory requirements.

The senior management currently consists of three members who are responsible for our day-to-day management and operation.

DIRECTORS

The following table provides the key information about our Directors as of the Latest Practicable Date:

Name	Age	Position	Date of joining our Group	Date of appointment of director	Roles and responsibilities	Relationship with other Directors and senior management
Mr. Ning Xingyong (寧興勇)	60	Executive Director and general manager	January 2022	January 2022	Overall strategic planning and management of our Group	None
Mr. Lu Yuming (陸玉明)	47	Executive Director and chief financial officer	January 2022	December 2025	Overall financial management and business operation of our Group	None
Dr. Huang Yongzhong (黃永仲)	57	Executive Director, employee Director and chief technology officer	January 2022	December 2025	Overall product research and development of our Group	None
Mr. Neo Poh Kiat (梁寶吉)	76	Non-executive Director	January 2026	January 2026	Providing advice on the operation and management of our Group	None
Mr. Chen Hai (陳海)	45	Non-executive chairman of the Board, non-executive Director	December 2025	December 2025	Providing advice on the operation and management of our Group	None
Ms. Su Minghong (蘇鳴紅)	44	Non-executive Director	March 2022	December 2025	Providing advice on the operation and management of our Group	None
Mr. Fan Hao (范皓)	55	Independent non-executive Director	Upon **[REDACTED]**	Upon **[REDACTED]**	Supervising and providing independent opinions and judgements to the Board	None
Ms. Fan Conghui (范叢慧)	43	Independent non-executive Director	Upon **[REDACTED]**	Upon **[REDACTED]**	Supervising and providing independent opinions and judgements to the Board	None
Mr. Chan Ngai Fan (陳毅奮)	46	Independent non-executive Director	Upon **[REDACTED]**	Upon **[REDACTED]**	Supervising and providing independent opinions and judgements to the Board	None

Executive Directors

Mr. Ning Xingyong (寧興勇), aged 60, was appointed as a Director and the general manager of the Company since January 2022, and was re-designated as an executive Director in January 2026. He is primarily responsible for the overall strategic planning and management of the Group. He also served as the director of MTU Yuchai from June 2018 to December 2021.

Mr. Ning has over 30 years of experience in the power generator engine industry. From July 1989 to March 1996, Mr. Ning successively held various positions in GYMCL, including technician and deputy section chief of the foundry manufacture preparation department (製造部鑄造廠生產準備科). From March 1996 to January 1998, he served as a section chief of the foundry manufacture preparation department of GYMCL. From January 1998 to December 1999, Mr. Ning served as a director of the molding center under the production department processing and equipment company (生產部工藝裝備公司模具中心) of GYMCL. From December 1999 to December 2000, Mr. Ning served as the deputy plant manager and the plant manager of the processing and equipment plant (工藝裝備廠) of GYMCL. From December 2000 to October 2011, Mr. Ning served as a manager of the production department of GYMCL, and during this period he also undertook other managerial roles included assistant to general manager from April 2006 to December 2008 and acting deputy general manager from December 2008 to July 2009. In July 2009, Mr. Ning was appointed as a deputy general manager of GYMCL, a position he held until February 2013. From December 2012 to February 2019, Mr. Ning was appointed and served as the party committee secretary of GYMCL. From July 2015 to December 2025, Mr. Ning successively held various management positions in GYMCL included vice president, executive vice president, senior vice president and deputy general manager. In September 2018, Mr. Ning was appointed as the general manager of the marine and genset power division (the business of which was being transferred to the Company in 2022) and he was promoted as president of the division in January 2021.

Mr. Ning received his bachelor's degree in mechanics with major in casting from the Guangxi University (廣西大學) in July 1989, and obtained the qualification certificate of intermediate level of speciality and technology as an engineer issued by the Personnel Department of Guangxi Zhuang Autonomous Region (廣西壯族自治區人事廳) in December 1996.

Mr. Lu Yuming (陸玉明), aged 47, an executive Director and chief financial officer of the Company. He is responsible for the overall financial management and business operation of our Group. Mr. Lu has been serving as the chief financial officer of the Company since January 2022 and a supervisor of the Company from January 2022 to March 2022. Mr. Lu also served as a supervisor of the MTU Yuchai from January 2017 to February 2025, and a director of MTU Yuchai from February 2025. Mr. Lu was appointed as a Director of the Company in December 2025 and was re-designated as an executive Director in January 2026.

Mr. Lu has over two decades of professional experience in accounting, financial reporting and control, and finance management. Prior to joining our Group, Mr. Lu has held various positions in GYMCL. From July 2001 to July 2007, Mr. Lu is responsible for the general ledger and reporting at GYMCL. From August 2007 to April 2011, Mr. Lu was the section chief of the accounting division at GYMCL, responsible for accounting operations. From May 2011 to January 2014, Mr. Lu served as a deputy manager and subsequently a manager of the finance department of GYMCL. In January 2014, Mr. Lu was further promoted to be the department head of the finance department at GYMCL, a role he held till December 2018. In addition to his work in the finance department, Mr. Lu was also appointed as the deputy chief accountant of GYMCL from November 2013 to February 2015 and further as the chief accountant from February 2015 to February 2022. Since February 2022, Mr. Lu was re-designated as deputy chief accountant of GYMCL, and was responsible for finance and administrative management as well as procurement and commercial management.

Mr. Lu received his bachelor's degree in financial management (asset valuation) from the Zhejiang University (浙江大學) in June 2001. He also obtained an intermediate level accounting qualification certificate issued by the MOF in May 2005.

Dr. Huang Yongzhong (黃永仲), aged 57, an Executive Director, employee Director and chief technology officer of the Company. He is responsible for overall product research and development of the Group. Dr. Huang joined the Company in January 2022 as a deputy general manager. He was further appointed as a Director of the Company in December 2025, and was re-designated as an Executive Director in January 2026.

Prior to joining our Group, Dr. Huang has held various positions in GYMCL. From July 1993 to December 2009, Dr. Huang has taken up various roles included technician, application development engineer, director engineer, technology section chief, and development department head of the marine and genset division of the engineering research institution of the GYMCL (工程研究院船電開發工程部). Thereafter, Dr. Huang served as the head of marine and genset division of the engineering research institution from January 2010 to January 2014. From January 2014 to January 2022, Dr. Huang was the deputy general manager of the marine and genset power division of GYMCL where he was primarily responsible for planning and R&D of power generation products. In addition, Dr. Huang was also the head of the research institution of the marine and genset power division of GYMCL from February 2014 to January 2015 and from January 2017 to January 2020. Dr. Huang was also the deputy chief engineer of GYMCL from January 2021 to January 2024.

Dr. Huang's extensive industry experience is also demonstrated via his professional associations. Dr. Huang served as a member of the technical committee for mobile power stations of the China Electrotechnical Society (中國電工技術協會) between November 2015 to November 2019. He was appointed as a member of the Second Expert Committee of the China Internal Combustion Engine Industry Association (中國內燃機工業協會) in November 2018, and further appointed as a member of the Fourth Expert Committee in May 2026. Between November 2021 and November 2025, Dr. Huang also served as the director of Guangxi Society of Internal Combustion Engines (廣西內燃機學會). From January 2024 to the present, Dr. Huang has served as deputy director of Guangxi Low Carbon Intelligent Power Laboratory. In August 2025, Dr. Huang was appointed as a council member of the inaugural council of the Innovation Center of the China Society of Internal Combustion Engines (Guangxi).

Dr. Huang obtained his bachelor's degree in mechanical manufacture and equipment from the Guangxi University of Technology (廣西工學院) in June 1993. He further obtained his master's degree in power engineering in December 2007 and doctoral degree in power engineering and engineering thermophysics in October 2025, both from Wuhan University of Technology (武漢理工大學). Dr. Huang was also qualified as a senior engineer and chief senior engineer in December 2008 and December 2019 by the Department of Human Resources and Social Security of Guangxi Zhuang Autonomous Region (廣西壯族自治區人力資源和社會保障廳), respectively.

Non-executive Directors

Mr. Neo Poh Kiat (梁寶吉), aged 76, was appointed as a non-executive Director of the Company in January 2026. He is responsible for providing advice on the operation and management of the Group.

Mr. Neo has extensive experience in the banking and finance industry for over 40 years. From January 1976 to January 1994 and from August 1996 to July 2001, he held various senior managerial positions with companies in the director of DBS Bank group including executive director at DBS Securities Hong Kong Limited and DBS Securities Holding Pte Ltd., managing director at DBS Asia Capital Limited and general manager at DBS Hong Kong Branch. Mr. Neo also served as a general manager (leasing) of Sino Land Ltd from January 1994 to August 1996. From July 2001 to January 2005, Mr. Neo served as the country officer, China and head of corporate banking, greater China of United Overseas Bank Limited. From January 2005 to 30 June 2021, Mr. Neo served as a managing director of Octagon Advisors Pte Ltd, a financial consultancy firm based in Singapore and managing director of Octagon Advisors (Shanghai) Co Ltd from January 2005 to November 2018.

Mr. Neo has been an independent director of CYI (listed on NYSE, stock code: CYD) since May 2005, an independent director of GYMCL since March 2008 and an independent director of ValueMax Group Limited (listed on the Singapore Stock Exchange, stock code T6I) since January 2022. Mr. Neo has also served as an independent non-executive director of CapitaLand China Trust Management Limited, the manager of CapitaLand China Trust (listed on the Singapore Stock Exchange, stock code AU8U) from April 2017 to October 2025.

Mr. Neo obtained a degree of bachelor of commerce with honors from Nanyang University, Singapore in July 1973.

Mr. Chen Hai (陳海), aged 45, was appointed as a Director of the Company in December 2025, and was re-designated as a non-executive Director in January 2026. He is responsible for providing advice on the operation and management of the Group. He was also appointed as the non-executive chairman of the Board in January 2026.

Prior to joining the Group, Mr. Chen has held various positions in GYMCL. From August 2004 to December 2009, Mr. Chen has taken up various roles including assembly technician and section chief of the technical quality control section at engine plant one (發動機一廠技術質量科). From January 2010 to January 2014, Mr. Chen served as the deputy head and subsequently, the head of the engine plant one. From January 2014 to May 2016, Mr. Chen was appointed and served as the head of the engine plant five (五發廠) and the head of engine plant three (三發廠) from May 2016 to December 2016. From December 2016 to June 2017, Mr. Chen was appointed as the vice general manager of manufacture department of GYMCL. From June 2017 to March 2020, Mr. Chen was the head of the procurement department of GYMCL and then he moved on to serve as senior director of the quality control department of GYMCL from March 2020 to January 2021. Mr. Chen was appointed and served as the acting deputy president of GYMCL from January 2021, thereafter he was promoted to deputy president of GYMCL, a position he held till November 2025. Mr. Chen was designated as a general manager of GYMCL and appointed as Director of MTU Yuchai since November 2025. Mr. Chen was appointed and served as a director of GYMCL since February 2026.

Mr. Chen received a bachelor's degree in vehicle engineering from the Wuhan University of Technology (武漢理工大學) in June 2004, and a master's degree in vehicle engineering from Hunan University (湖南大學) in October 2015. Mr. Chen was also qualified as an associate senior engineer (副高級工程師) in December 2024 by the Department of Human Resources and Social Security of Guangxi Zhuang Autonomous Region (廣西壯族自治區人力資源和社會保障廳).

Ms. Su Minghong (蘇鳴紅), aged 44, non-executive Director of the Company. She is responsible for providing advice on the operation and management of the Group. Ms. Su joined the Company in March 2022, and served as a supervisor until December 2025, and has been appointed a Director of the Company in December 2025. She was re-designated as a non-executive Director in January 2026.

Ms. Su has over 15 years of experience in financial management. Prior to joining the Group, Ms. Su has held various positions in GYMCL. From July 2006 to November 2007, Ms. Su served as an accounting trainee and subsequently as an accountant at the foundry of GYMCL. From December 2007 to January 2012, she worked in the budget management department of GYMCL, serving as a cost management specialist and later as a budget management specialist, and a corporate management specialist. From January 2012 to January 2014, Ms. Su worked as an assistant to manager of the budget management department of GYMCL. From January 2014 to February 2017, she served as the deputy head of the operation and budget department of GYMCL. She was subsequently appointed deputy head of the cost and revenue department of GYMCL from February 2017 to December 2018 and the deputy head of the finance department of GYMCL from December 2018 to January 2022. From January 2022 to January 2025, she served as head of the finance department of GYMCL. From January 2025 to August 2025, she has been the deputy chief accountant of GYMCL and she was promoted to chief accountant of GYMCL in August 2025.

Ms. Su obtained her bachelor's degree in accounting from Qingdao University of Technology (青島理工大學) in July 2006 and was qualified as a senior accountant in December 2019 by the Department of Human Resources and Social Security of Guangxi Zhuang Autonomous Region (廣西壯族自治區人力資源和社會保障廳).

Independent non-executive Directors

Mr. Fan Hao (范皓), aged 55, is appointed as an independent non-executive Director of the Company and his appointment will be conditional and effective upon **[REDACTED]**. He is responsible for supervising and providing independent opinions and judgements to the Board.

From 1993 to 1996, Mr. Fan worked at the mold center of Guangdong Samsung Enterprise Group Co., Ltd* (廣東三星企業集團有限公司). He subsequently served at the marketing department of Shell (China) Limited (殼牌(中國)有限公司) from 1996 to 2003. Since 2003, Mr. Fan has been the chairman and the general manager of Sichuan Jierun Trading Co., Ltd* (四川杰潤貿易有限公司), which principally engaged in the trading of lubrication materials, and maintenance and repair of such materials, and he was main responsible for development planning, operational management and major corporate strategic decision making of the company. Since 2015, he has also been the chairman and the general manager of Chengdu Jingliang Workshop Technology Co., Ltd* (成都市精良工坊科技有限公司), which principally engaged in the sales of lubrication materials and electromechanical products, and he was main responsible for development planning, operational management and major corporate strategic decision making of the company.

In addition, Mr. Fan has been the president of the Sichuan Innovation and Entrepreneurship Promotion Association* (四川創新創業促進會會長) since 2022 and secretary-general of the southwest branch of the Tsinghua Entrepreneur Association from 2021 to 2025.

Mr. Fan graduated from the Tsinghua University (清華大學), department of precision instruments, with a bachelor's degree in mechanical design and manufacturing in July 1993.

Ms. Fan Conghui (范叢慧), aged 43, is appointed as an independent non-executive Director of the Company and her appointment will be conditional and effective upon **[REDACTED]**. She is responsible for supervising and providing independent opinions and judgements to the Board.

From July 2007 to December 2011, she served at China International Electronic Commerce Co., Ltd. (中國國際電子商務有限公司) under the MOFCOM, where she held various positions included research commissioner and deputy general manager of the strategic planning department, and secretary to the board of directors, in which she was principally responsible for formulating strategic plans, providing legal advice and refining the corporate governance structure. Since January 2012, she has been a lawyer at Beijing Long An Law Firm, where she served as a partner and head of its Foshan and Changchun offices during her tenure.

Ms. Fan obtained her bachelor degree in management with the major of financial management from Zhengzhou University of Aeronautics (鄭州航空工業管理學院) in June 2004, and obtained her master's degree in law from the University of International Business and Economics (對外經濟貿易大學) in June 2007. She was qualified as lawyer and received her license from the Ministry of Justice of the PRC (中華人民共和國司法部) since 2012 and holds the qualification of enterprise legal advisor of the PRC from Ministry of Justice of the PRC (中華人民共和國司法部), Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) and State-owned Assets Supervision and Administration Commission of the State Counsel of the PRC (國務院國有資產監督管理委員會) since October 2010.

Mr. Chan Ngai Fan (陳毅奮), aged 46, is appointed as an independent non-executive Director in and his appointment will be conditional and effective upon **[REDACTED]**. He is responsible for supervising and providing independent opinions and judgements to the Board.

Mr. NF Chan has extensive corporate experience, with a focus on finance and executive management. He began his career as an assurance assistant manager at Grant Thornton (均富會計師行) (now JBPB & Company) from August 2007 to February 2011. He then served as chief financial officer at Naigai Mining (China) Company Limited (內外礦業(中國)有限公司) from March 2011 to April 2015, and as chief financial officer of KPa-BM Holdings Limited (應力控股有限公司), a company listed on the Stock Exchange (stock code: 2663), from May 2015 to April 2018.

Mr. NF Chan subsequently held a series of roles, including non-executive director from September 2016 to April 2018, executive director and chief financial officer from April 2018 to January 2019, and non-executive director from January 2019 to March 2019 at Shenzhen Mingwah Aohan High Technology Corporation Limited (深圳市明華澳漢科技股份有限公司), a company previously listed on the Stock Exchange (previous stock code: 8301, delisted in November 2021). He also served as chief financial officer and company secretary at Heysea International Yacht Company Limited (海星國際遊艇有限公司) from May 2019 to April 2020.

He was an independent non-executive director of Sino Vision Worldwide Holdings Limited (新維國際控股有限公司), a company previously listed on the Stock Exchange (previous stock code: 8086, delisted in March 2023), from August 2017 to September 2018, an independent non-executive Director of Sanxun Holdings Group Limited (三巽控股集團有限公司), a company listed on the Stock Exchange (stock code: 6611), from September 2019 to September 2023, an independent non-executive director of Contel Technology Company Limited (康特隆科技有限公司), a company listed on the Stock Exchange (stock code: 1912), from March 2022 to June 2023, and an independent non-executive director of Capital Finance Holdings Limited (首都金融控股有限公司), a company listed on the Stock Exchange (stock code: 8239), from January 2022 to September 2025.

Currently, Mr. NF Chan is serving as an independent non-executive director of five companies listed on the Stock Exchange. He has served as an independent non-executive director of Leader Education Limited (立德教育股份有限公司), a company listed on the Stock Exchange (stock code: 1449), since July 2020, an independent non-executive director of Persistence Resources Group Ltd. (集海資源集團有限公司), a company listed on the Stock Exchange (stock code: 2489), since November 2023, an independent non-executive director of Smart Fish Wealthlink Holdings Limited (小魚盈通控股有限公司) (previously known as Central Wealth Group Holdings Limited (中達集團控股有限公司)), a company listed on the Stock Exchange (stock code: 0139), since July 2024, an independent non-executive director of Anhui Jinyan Kaolin New Materials Co., Ltd. (安徽金岩高嶺土新材料股份有限公司), a company listed on the Stock Exchange (stock code: 2693) since October 2024, and an independent non-executive director of Skymission Group Holdings Limited (天任集團控股有限公司), a company listed on the Stock Exchange (stock code: 1429), since March 2026.

Mr. NF Chan is also currently serving as a company secretary of three companies listed on the Stock Exchange. He has served as a joint company secretary of Centenary United Holdings Limited (世紀聯合控股有限公司), a company listed on the Stock Exchange (stock code: 1959), since January 2019, a company secretary of Zhengwei Group Holdings Company Limited (正味集團控股有限公司), a company listed on the Stock Exchange (stock code: 2147), since June 2022, a company secretary of Bison Finance Group Limited (貝森金融集團有限公司), a company listed on the Stock Exchange (stock code: 0888), since August 2022. In addition, Mr. NF Chan also served as a company secretary of China Health Technology Group Company Limited (中國健康科技集團控股有限公司), a company listed on the Stock Exchange (stock code: 1069), from May 2021 to July 2026.

Mr. NF Chan obtained a bachelor's degree in arts (Honors) in accountancy from the Hong Kong Polytechnic University in December 2007, and a master's degree in corporate governance from the same university in October 2013. Mr. NF Chan is a Certified Public Accountant (Practicing) in Hong Kong authorized by Accounting and Financial Reporting Council in January 2024. He was admitted to graduateship of The Institute of Chartered Secretaries & Administrators in December 2016 and was admitted as an associate of The Hong Kong Institute of Chartered Secretaries (currently known as The Hong Kong Chartered Governance Institute). He is also a Chartered Secretary and a Chartered Governance Professional of The Hong Kong Chartered Governance Institute.

SENIOR MANAGEMENT

Three executive Directors, namely Mr. Ning Xingyong (寧興勇), Mr. Lu Yuming (陸玉明) and Dr. Huang Yongzhong (黃永仲) also acts as our senior management. For the biographical details of Mr. Ning, Mr. Lu and Dr. Huang, see "Directors" in this section.

GENERAL

As of the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries,

(i) saved as disclosed above, none of the Directors or members of the senior management has held any directorship in any public company the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding the date of this document;

(ii) none of the Directors or members of the senior management of the Company was related to any other Directors and members of their senior management;

(iii) save as disclosed in "Statutory and General Information" as out in Appendix IV to this document, none of the Directors or general manager of the Company held any interest in the Shares which would be required to be disclosed pursuant to Part XV of the Securities and Futures Ordinance; and

(iv) there was no additional matter with respect to the appointment of the Directors that needs to be brought to the attention of the Shareholders, and there was no additional information relating to the Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

JOINT COMPANY SECRETARIES

Ms. Ye Yashi (葉雅詩), aged 36, was appointed as the secretary to the Board of our Company in December 2025, and will be re-designated as a joint company secretary upon **[REDACTED]**. Prior to joining our Group, from May 2015 to February 2018, Ms. Ye served as a Japanese translator in GYMCL and provided interpretation services to experts. From February 2018 to November 2025, she served as the secretary to the Board office at GYMCL, where she was principally responsible for organizing, coordinating and managing matters relating to the board and shareholders. From December 2018 to November 2025, Ms. Ye also served as the secretary to the supervisory committee of GYMCL, where she was principally responsible for assisting the supervisors to discharge their responsibilities. Meanwhile, Ms. Ye has served as the senior manager of industry development in corporate management department of GYMCL from February 15, 2023.

Ms. Ye received her bachelor's degree in Japanese from Guangxi Normal University (廣西師範大學) in November 2012, and a master's degree in modern social humanities from Kumamoto University (熊本大學) in March 2015.

Ms. Mak Sin Ki (麥善琪), has been conditionally appointed as one of our joint company secretaries in January 2026, which will come into effect upon **[REDACTED]**. She is responsible for providing corporate secretarial and compliance services to our Company.

Ms. Mak has over 7 years of experience in company secretary and corporate governance fields. Since December 2022, Ms. Mak has been working as an assistant manager for Vistra Corporate Services (HK) Limited, a global professional services provider specializing in integrated business, corporate and investor services. Ms. Mak is a Chartered Secretary, a Chartered Governance Professional and an

Associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. She is also a holder of the Practitioner's Endorsement issued by the Hong Kong Chartered Governance Institute.

Ms. Mak obtained her bachelor' degree in Chinese and Bilingual Studies from The Hong Kong Polytechnic University in 2016 and her master degree in Professional Accounting and Corporate Governance from the City University of Hong Kong in 2021.

BOARD COMMITTEES

We have established the following committees within our Board of Directors, namely, Audit Committee, Remuneration Committee, Nomination Committee, Strategy Committee and ESG Committee. The committee operate in accordance with the terms of reference adopted by our Board.

Audit Committee

We [have established] our Audit Committee on [●] by a resolution of the Board passed on [●] with written terms of reference in compliance with Rules 3.21 of the Listing Rules and the Paragraph D.3 in Part 2 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The Audit Committee [consists] of four members, namely, Mr. Chan Ngai Fan, Mr. Neo Poh Kiat, Mr. Fan Hao and Ms. Fan Conghui. With the appropriate accounting and financial management expertise, Mr. Chan Ngai Fan is the chairperson of the committee. The primary duties of the Audit Committee include (i) making recommendations to our Board on the appointment, re-appointment and removal of external auditors; (ii) reviewing the financial statements; (iii) providing material advice in respect of our financial reporting process; (iv) overseeing our internal control and risk management systems and audit process and discussing the risk management and internal control system with management to ensure that management has performed its duty to have effective systems; and (v) provide advice and comments to our Board on matters relating to corporate governance.

Remuneration Committee

We [have established] our Remuneration Committee on [●] by a resolution of the Board passed on [●] with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Paragraph E.1 of Part 2 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The Remuneration Committee [consists] of three members, namely Mr. Fan Hao, Mr. Neo Poh Kiat and Ms. Fan Conghui. Mr. Fan Hao is the chairperson of the committee. The primary duties of the Remuneration Committee include (i) making recommendations to the Board regarding our policy and structure for the remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; and (ii) making recommendations to the Board on the remuneration packages of our Directors and senior management and on the employee benefit arrangement.

Nomination Committee

We [have established] our Nomination Committee on [●] by a resolution of the Board passed on [●] with written terms of reference in compliance with the Paragraph B.3 in Part 2 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The Nomination Committee [consists] of three members, namely Ms. Fan Conghui, Mr. Neo Poh Kiat, and Mr. Chan Ngai Fan. Ms. Fan Conghui is the chairperson of the committee. The primary duties of the Nomination Committee include (i) making recommendations to review the structure, size and composition (including the skills, knowledge and experience) of our Board; and (ii) reviewing and making recommendations to the Board on appointment of Directors and the management of the Board succession.

Strategy Committee

We [have established] our Strategy Committee on [●] by a resolution of the Board passed on [●] with written terms of reference. The Strategy Committee [consists] of five Directors, namely Mr. Ning Xingyong, Mr. Lu Yuming, Dr. Huang Yongzhong, Mr. Chen Hai and Ms. Su Minghong, with Mr. Ning Xingyong currently serving as the chairman. The Strategy Committee is mainly responsible for reviewing and advising on long-term strategies and major investment plan of the Company.

ESG Committee

We [have established] a ESG Committee on [●] by a resolution of the Board passed on [●] with written terms of reference with the Corporate Governance Code as set forth in Appendix C1 to the Listing Rules. The ESG Committee [consists] of Mr. Ning Xingyong, Mr. Lu Yuming and Dr. Huang Yongzhong. Mr. Ning Xingyong is the chairperson of the committee. The primary duties of the ESG Committee are to assess the Company's environmental, social and governance responsibilities and risk and opportunities, and to formulate the Company's environmental, social and governance vision, objectives and strategies.

COMPLIANCE WITH THE CODE PROVISIONS OF APPENDIX C1 TO THE LISTING RULES

We are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, we will comply with the code provisions set out in the Corporate Governance Code as set out in Appendix C1 to the Listing Rules after the **[REDACTED]**.

BOARD DIVERSITY POLICY

We are committed to promoting the culture of diversity to the extent practicable by taking into consideration a number of factors in our corporate governance structure. We have adopted the board diversity policy which sets out the objectives and approaches to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board.

Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and educational background and length of service. The ultimate decision of the appointment has to be based on merits and the contribution which the selected candidates are expected to bring to our Board.

REMUNERATION AND COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation from our Group in the form of fees, salaries, bonus and contributions to pension schemes, allowances and benefits in kind. The aggregate remuneration (including salaries, bonuses, share-based compensations, contributions to pension schemes, other social security costs and other employee benefits) received by our Directors were approximately RMB3.7 million, RMB9.4 million, RMB9.1 million, RMB2.9 million and RMB1.2 million, for FY2023, FY2024, FY2025, 1H2025 and 1H2026, respectively. None of our Directors had waived any remuneration during the same period.

No remuneration was paid by our Group to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office during the Track Record Period.

Save as disclosed above, no other payments had been made or are payable during the Track Record Period by our Group to our Directors or the five highest paid individuals.

Under the arrangements currently in force, we estimate the aggregate remuneration payable to, and benefits in kind receivable by, our Directors by our Group in respect of the year ending 31 December 2026 to be approximately RMB8.3 million.

COMPLIANCE ADVISOR

We have appointed Anglo Chinese Corporate Finance, Limited as our compliance advisor in compliance with Rules 3A.19 and 19A.05 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, we will consult with and seek advice from our compliance advisor in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(iii) where we propose to use the **[REDACTED]** of the **[REDACTED]** in a manner different from that detailed in this document or where its business activities, developments or results deviate from any forecast, estimate, or other information in this document; and

(iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the securities of our Company, the possible development of a false market in the securities of our Company or any other matters.

The term of the appointment of the compliance advisor shall commence on the **[REDACTED]** and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the **[REDACTED]**.

CONFIRMATION FROM OUR DIRECTORS

Rule 8.10 of the Listing Rules

Each of our Directors confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, either directly or indirectly, with our Company's business which would require disclosure under Rule 8.10 of the Listing Rules.

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on January 9, 2026 or January 23, 2026, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his or her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his independence at the time of his/her appointments.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

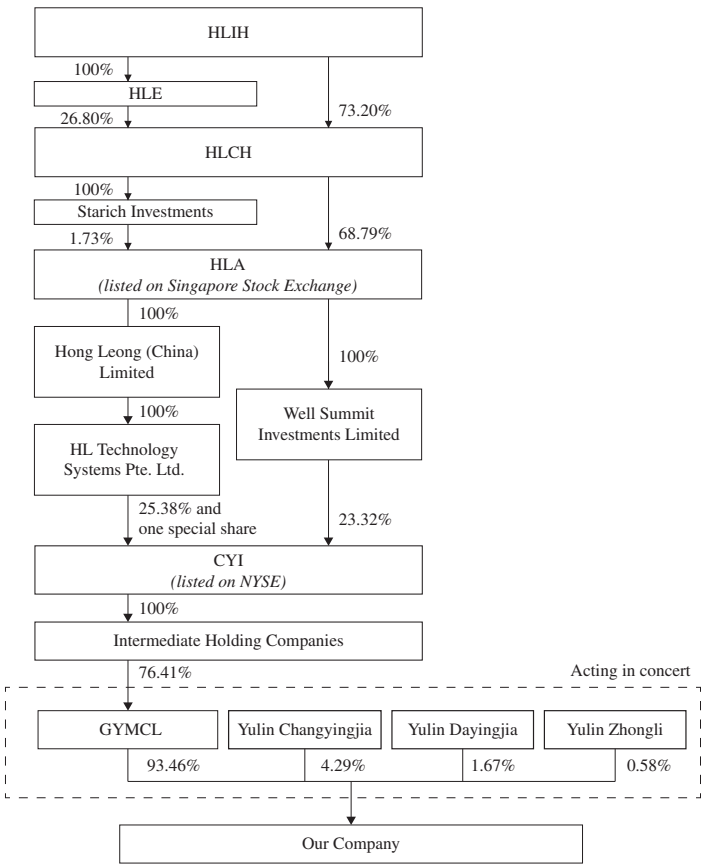
OUR CONTROLLING SHAREHOLDERS

The Company was incorporated in 2017 as a wholly owned subsidiary of GYMCL, with the principal business of selling ***mtu*** branded engines. In 2022 GYMCL injected the business of marine and genset power into the Company, following which the Company established a robust product portfolio in generators and marine engines. In December 2025, we converted into a joint stock limited company. As of the Latest Practicable Date, our Company was owned as to approximately 93.46% by GYMCL. Immediately following the completion of the **[REDACTED]** (assuming no exercise of the **[REDACTED]**), GYMCL will hold approximately **[REDACTED]**% of the total issued share capital of our Company.

As of the Latest Practicable Date, GYMCL was owned as to 76.41% by CYI through six intermediate holding companies ("**Intermediate Holding Companies**"), all of which are wholly-owned by CYI. See " History — Our Structure Immediately Prior to the **[REDACTED]**" for further details of the six intermediate holding companies.

As of the Latest Practicable Date, CYI, whose shares are listed on NYSE, was held as to 48.70% by HLA (through Hong Leong (China) Limited, HL Technology Systems Pte. Ltd. and Well Summit Investments Limited) 31.21% by public shareholders, and 20.09% by GY Entities. In addition, HLA beneficially owns a special share in CYI through its subsidiaries that entitles it to elect a majority of directors in CYI and no shareholders' resolution may be passed without the affirmative vote of the special share. As of the Latest Practicable Date, HLA was directly and indirectly (through Starich Investments) held as to 70.52% by HLCH; HLCH was in turn directly and indirectly (through HLE) 100% owned by HLIH, being the ultimate holding company of HLA.

A simplified illustration of the aforementioned corporate structure immediately before the **[REDACTED]** is set out below.



See "History, Development and Corporate Structure" in this document for further details.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Since the introduction of the Limited Partnership Platforms as shareholders of our Company through capital increase in June 2024, the Limited Partnership Platforms and GYMCL have been acting in concert with each other based on their respective partnership agreements, in which the Limited Partnership Platforms shall act in concert with GYMCL and exercise the same manifestation of intent as GYMCL when exercising its voting rights in our Company.

Immediately following the completion of the **[REDACTED]**, GYMCL, HLTS, Earnest Assets, Cathay Diesel Holdings, Tsang & Ong, GSGH, Youngstar, CYI, HL Technology Systems Pte. Ltd., Hong Leong (China) Limited, Well Summit Investments Limited, HLA, Starich Investments, HLCH, HLE, HLIH, Yulin Dayingjia, Yulin Changyingjia and Yulin Zhongli will constitute a group of Controlling Shareholders under the Listing Rules.

INFORMATION OF BUSINESS OF OUR GROUP AND OUR CONTROLLING SHAREHOLDERS

Our Group

We design, develop, manufacture and sell power generators, marine engines, power generator sets and engine components. We serve 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. See "Business" in this document for further details of our business.

GYMCL

GYMCL is our Controlling Shareholder and is principally engaged in the design, manufacture, assembly and sales of a wide variety of light-, medium- and heavy-duty engines for trucks, buses, pickups, construction and agricultural equipment, as well as marine and power generation applications through our Group. It offers a comprehensive portfolio of powertrain solutions, including but not limited to diesel, natural gas, and new energy products such as pure electric, range extenders, and hybrid and fuel cell systems.

CYI Group

CYI, the controlling shareholder of GYMCL, is a company listed on the New York Stock Exchange under the symbol of "CYD". It primarily acts as a holding company for its principal subsidiary, GYMCL through six wholly owned subsidiaries, HLTS, Earnest Assets, Cathay Diesel Holdings, Tsang & Ong, GSGH and Youngstar.

HLTS, Earnest Assets, Cathay Diesel Holdings, Tsang & Ong, GSGH and Youngstar are investment holding companies of GYMCL without any substantive business.

HLA Group

HLA, the controlling shareholder of CYI, is a company listed on the main board of the Singapore Stock Exchange (SGX: H22) since 1998 with core businesses in powertrain solutions and building materials. The building material business supplies cement, ready-mix concrete and precast concrete elements for the built environment in Singapore and Malaysia. For the powertrain solutions business, HLA Group principally operates through CYI and GYMCL.

Hong Leong (China) Limited is principally engaged in the provision of other business support service activities, whereas HL Technology Systems Pte. Ltd. and Well Summit Investments Limited are investment holding companies.

HLCH Group

HLCH, the controlling shareholder of HLA, is principally engaged in the trading, import, export and distribution of general merchandise and investment holding. Starich Investments is an investment holding company.

HLIH Group

HLIH, the controlling shareholder of HLCH, is an investment holding company. HLE is an investment holding company.

Yulin Dayingjia, Yulin Changyingjia and Yulin Zhongli

Yulin Changyingjia and Yulin Zhongli were established in the PRC as employee share incentive platforms of our Company, and Yulin Dayingjia was established in the PRC as a shareholding platform under which partnership interests were awarded to eligible participants who are employees of GYMCL and its subsidiaries other than our Company. See "History, Development and Corporate Structure — Limited Partnership Platforms" in this document for further details of Yulin Dayingjia, Yulin Changyingjia and Yulin Zhongli.

DELINEATION OF BUSINESSES

The Directors are of the view that there is clear delineation between the principal business of our Group and those of GYMCL Connected Persons. In particular, our Group focuses on the design, development, manufacture and sale of power generator engines and marine propulsion and auxiliary engines, whereas other than specifically disclosed in the table below, GYMCL Connected Persons primarily focus on the design, assembly, manufacture and sales of engines for other uses such as trucks, buses, pickups, construction and agriculture equipment.

Accordingly, although there are certain products where we collaborate with certain members of GYMCL Connected Persons, for the reasons below, we do not consider them to be competing with our Group's business.

Principal business undertaken	Collaboration with our Group and its associate	Differentiation
(a) GYMCL		
(i) GYMCL's business includes the sale of 6TD and VTD series engine products for applications other than power generation and marine propulsion, which principally include applications in heavy-duty construction equipment, mining trucks, air compressors, oil fracturing trucks and water pump units, along with the development of corresponding non-critical components.	Our business includes the development and manufacture of 6TD and VTD series engine products, and the sales of the 6TD and VTD series engine products to GYMCL for application other than power generation and marine propulsion, and other customers for power generation and marine propulsion.	See "Non-interchangeable applications for products manufactured to different specifications by GYMCL Connected Persons and our Group" below for further details. GYMCL neither develops nor manufactures the 6TD and VTD series engines and sells their engines only for the applications other than power generation and marine propulsion applications. By contrast, we develop and manufacture and sell those engines for the purpose of power generation and marine propulsion.

Principal business undertaken	Collaboration with our Group and its associate	Differentiation
(ii) GYMCL's future business may include the development, production and sales of new engine series for applications principally include heavy-duty construction equipment, mining trucks, air compressors, oil fracturing trucks and water pump units.	Our future business may include the development, production and sale of new engine series for the application of power generation and marine propulsion.	GYMCL intends to focus on new engine series for non-power generation and non-marine propulsion applications, whereas we intend to focus on new engine series for the application of power generation and marine propulsion.
(iii) Given that our business was historically managed directly by GYMCL and subsequently injected into our Company, certain customers have continued to recognize GYMCL as their approved supplier in respect of power generation related products. Against this backdrop, during the Track Record Period, GYMCL purchased our power generator sets from our OEM suppliers and then supplied them to three of their existing end customers. The total value of transactions under such contracts amounted to less than 3% of our aggregated revenue during each financial year of the Track Record Period.		GYMCL is not engaged in the manufacture or production of power generator sets. This arrangement reflects the collaboration between GYMCL and our Group.
(b) Simlan Technology*Note (1)* and its wholly owned subsidiary		
Simlan Technology and wholly owned subsidiary engage in the design, development, manufacture and sale of range extender (a power generation unit for the recharge of battery) for applications other than power generation and marine propulsion.	Our Group engages in the design, development, manufacture and sale of engine for the application of power generation and marine propulsion.	We do not manufacture and develop range extender for marine propulsion. However, in order to offer more products for our customers, we may procure range extender and engage in the sale of range extender for marine propulsion going forward.
(c) Yichen Power*Note (2)*		
Yichen Power principally manufactures 6K-platform series engines for various applications, which principally include applications in automotive powertrains, construction machinery and other industrial power systems, and exclusively sells such engines for power generation and marine propulsion to our Group.	Our Group is involved in the design, development, manufacture and sale of power generators and marine engines. In particular, we also sell 6K-platform series engines manufactured by Yichen Power for power generation and marine propulsion to our customers.	See "Non-interchangeable applications for products manufactured to different specifications by GYMCL Connected Persons and our Group" below for further details. We do not manufacture and develop 6K-platform series engines for power generation, but in order to offer a comprehensive product portfolio to our customers, we purchased the same from Yichen Power for sales to our customers for the application of power generation and marine propulsion.

Notes:

(1) As of the Latest Practicable Date, Simlan Technology was held as to 98.2% by GYMCL, with the remaining shares held by an Independent Third Party, namely 1.8% by Guangxi Industrial Technology Research Institute Investment and Development Co., Ltd.* (廣西產業技術研究院投資發展有限公司).

(2) As of the Latest Practicable Date, Yichen Power was held as to 45% by GYMCL, with the remaining shares held by Independent Third Parties, namely 50% by C&C Trucks Co., Ltd. (集瑞聯合重工有限公司) ("**C&C Trucks**") and 5% by Shenzhen Jiusi Investment Management Co., Ltd.* (深圳市九思投資管理有限公司) ("**Shenzhen Jiusi**"). On August 20, 2026, GYMCL entered into a share transfer agreement with C&C Trucks, under which C&C Trucks agreed to sell, and GYMCL agreed to purchase, the 45% equity interest in Yichen Power held by C&C Trucks. On August 21, 2026, GYMCL entered into another share transfer agreement with Shenzhen Jiusi, under which Shenzhen Jiusi agreed to sell, and GYMCL agreed to purchase, the 5% equity interest in Yichen Power held by Shenzhen Jiusi. Subject to and upon completion of the aforementioned transactions, Yichen Power will become a 95% owned subsidiary of GYMCL.

Non-interchangeable applications for products manufactured to different specifications by GYMCL Connected Persons and our Group

As stipulated above, although the engines sold by GYMCL Connected Persons, including the 6TD, VTD and 6K-platform series, fall within the same series as the products sold by our Group, they are differentiated by distinct technical specifications tailored to their respective applications. These differences apply consistently across all three engine series (i.e. 6TD, VTD and 6K-platform). The key differences are as follows:

Characteristic	Power Generation	Marine Propulsion	Construction Machinery
Operating Parameters	Constant speed operation at 1,500 r/min or 1,800 r/min	Variable speed operation at up to 2,035 r/min (for 6K-platform) or 1,800 r/min (for 6TD and VTD series)	Variable speed operation at up to 1,900 r/min
Performance Components	(i) Turbochargers designed for constant-speed operation; (ii) Fuel system calibrated for steady-state injection parameters.	(i) Turbochargers optimized for lower-speed, high-load conditions; (ii) Fuel injection pressure, duration and volume calibrated for marine operating profiles.	(i) Turbochargers specifically matched for high-speed, high-load conditions; (ii) Fuel injection pressure, duration and volume differ significantly from other applications.
Peripheral Components	(i) Bolting directly to the generator (no extra parts needed); (ii) No air compressor, steering pump or power take-off ("**PTO**") required; (iii) Pressure-type (blowing) cooling fans.	(i) Using a standard housing that bolts straight to the marine gearbox (which is a universal fitting); (ii) No air compressor, steering pump or PTO required; (iii) Dual-purpose (blowing and drawing) ventilation fans.	(i) Requiring extra gearbox and special housing; (ii) Requiring air compressor, steering pump and PTO; (iii) Suction-type (drawing) cooling fans.
Applicable Standards	Mobile: China's Non-Road Stage IV (particulate matter ("**PM**") limit: 0.025 g/kWh); Stationary: no specific regulatory emission limits in the PRC.	Classification society requirements (e.g., double-walled high-pressure fuel lines); IMO Tier II (no PM requirement); or China's Stage II (PM limit: 0.12 g/kWh).	China's Non-Road Stage IV (PM limit: 0.025 g/kWh).

Due to these substantial differences in operating parameters, performance and structural components, and applicable regulatory standards across the 6TD, VTD and 6K-platform series, even though the products sold by GYMCL Connected Persons and our Group fall within the same series, products designed for different application fields are not interchangeable and cannot be substituted for use in another.

For the reasons stated above, we believe that there is neither substantial competition (direct or indirect) nor material conflicts of interest between the business of our Group and the GYMCL Connected Persons. Nevertheless, to ensure that competition will not develop between the GYMCL Connected Persons (on the one hand) and our Group (on the other hand) in the future, GYMCL will provide certain undertakings to our Company. See "Deed of Non-Competition" below for further details. Further, Yichen Power issued an undertaking letter to our Company in April 2026, pursuant to which Yichen Power has undertaken that it will exclusively sell such engines for power generation and marine propulsion to us and shall not develop or sell other engines for power generation or marine propulsion. GYMCL has also undertaken that it will continue to monitor Yichen Power's sales of engines for power generation and marine propulsion going forward and upon **[REDACTED]**. In particular, GYMCL has committed to conduct quarterly reviews of Yichen Power's sales records and customer lists related to engines for power generation and marine propulsion, and to require Yichen Power to provide relevant sales data and transaction documents for verification. GYMCL will exercise its shareholding rights to require Yichen Power to comply with the exclusivity undertaking and cooperate with the monitoring procedures.

Save as disclosed above, as of the Latest Practicable Date, none of the members of the Controlling Shareholder Group, our Directors or their respective close associates was interested in any business, other than our Group's business, which competes or is likely to compete, either directly or indirectly, with our Group's business which require disclosure pursuant to Rule 8.10 of the Listing Rules.

Deed of Non-Competition

In order to avoid any potential competition between (i) GYMCL Connected Persons on the one hand; and (ii) our Group on the other hand, GYMCL has entered into the Deed of Non-competition in favor of our Company (for itself and on behalf of our Group). Pursuant to the Deed of Non-Competition, subject to the exceptions set out below, GYMCL has irrevocably and unconditionally undertaken to our Company that it would not, and would procure that its subsidiaries (other than our Group) not to, during the Restricted Period (as defined below), directly or indirectly, either on its own account or in conjunction with or on behalf of any person, firm or company (except through any member of our Group), among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent or otherwise, and whether for profit, reward or otherwise) any Restricted Business (as defined below), whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist or act in concert with any other person.

The "**Restricted Business**" stated in the Deed of Non-Competition refers to any activity or business which competes, or is likely to compete, either directly or indirectly, with:

(a) the design, development, manufacture and sale of power generator engines, marine engines, power generator sets, and other auxiliary products for power generation and marine propulsion; and

(b) any other business from time to time conducted, entered into, engaged in or invested in by any member of our Group or which our Company has otherwise published an announcement on the website of the Stock Exchange stating its intention to conduct, enter into, engage in or invest in, save as disclosed in this document.

The obligation of the GYMCL under the Deed of Non-Competition will remain binding until the earlier of the followings:

(a) the date on which the Shares cease to be listed on the Stock Exchange (except for temporary suspension of trading of the Shares on the Stock Exchange for any reason); or

(b) the date on which GYMCL and its close associate, collectively cease to be entitled to exercise or control the exercise of 30% or more in aggregate of the voting power at general meetings of our Company or otherwise cease to be one of the Controlling Shareholders of our Company.

"**Restricted Period**" shall mean the period commencing on the **[REDACTED]** until the earlier of the above events.

GYMCL has also undertaken to our Company, that as permitted under the relevant laws and regulations, to provide all information requested by our Company which is necessary for the annual review by our Independent non-executive Directors of the GYMCL and/or its subsidiaries' compliance with the undertakings and the enforcement of the Deed of Non-competition.

GYMCL has further undertaken to our Company that in the event that it or its subsidiaries (other than our Group) is given/identified/offered/made available any business investment or commercial opportunity relating to the Restricted Business (the "**New Business Opportunity**"), it will and will procure its subsidiaries to refer the New Business Opportunity to our Company as soon as practicable in the following manner:

(a) GYMCL is required to, and shall procure its subsidiaries (other than any member of our Group) to, refer, or to procure the referral of, the New Business Opportunity to our Company, and shall give written notice (the "**Offer Notice**") as soon as reasonably practicable to our Company of any New Business Opportunity containing all information reasonably necessary for our Company to consider whether (i) such New Business Opportunity would constitute the Restricted Business; and (ii) it is in the interest of our Group to pursue such New Business Opportunity, including but not limited to the nature of the New Business Opportunity, the identity of the target asset(s) or company(ies) (if applicable), and the details of the investment or acquisition costs;

(b) as soon as reasonably practicable after receiving the Offer Notice, our Company shall seek approval from a board committee (comprising only our independent non-executive Directors who do not have any interest, actual or potential, direct or indirect in the relevant New Business Opportunity) (the "**Independent Board**") as to whether to pursue or decline the New Business Opportunity. Any Director who has actual or potential, direct or indirect interest in the New Business Opportunity shall not be a member of the Independent Board;

(c) the Independent Board shall take into account all relevant factors in considering whether our Company shall pursue the New Business Opportunity. Such factors may include, among other things, the financial impact of pursuing the New Business Opportunity, whether the nature of the New Business Opportunity is consistent with our Group's strategies and development plans and the general market conditions. If appropriate, the Independent Board may, at the cost of our Company, appoint independent financial advisors, legal advisors and other professional advisors to assist in the decision-making process in relation to such New Business Opportunity;

(d) the Independent Board shall, within 30 business days upon receipt of the Offer Notice inform the relevant Non-Competing Shareholder in writing on behalf of our Company of its decision whether to pursue or decline the New Business Opportunity;

(e) GYMCL and/or its subsidiaries shall be entitled (but not obliged) to pursue such New Business Opportunity (i) if it has received a notice from the Independent Board declining such New Business Opportunity, or (ii) if the Independent Board has failed to respond within such 30 business days period pursuant to sub-paragraph (d) above; and

(f) if there is any material change in the nature, terms or conditions of such New Business Opportunity pursued by GYMCL, it shall refer such New Business Opportunity as so revised to our Company in the manner as outlined in the Deed of Non-competition as if it were a New Business Opportunity.

Nothing in the Deed of Non-Competition shall preclude GYMCL or their subsidiaries from holding interest in the shares of a company provided that any Restricted Business conducted or engaged in by such company or its subsidiaries (or assets relating thereto) accounts for less than 5% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited consolidated accounts.

Undertakings in relation to the GYMCL Connected Persons

In respect of the GYMCL Connected Persons, GYMCL has irrevocably and unconditionally undertaken to our Company that it will not, whether directly or indirectly, compete with our Group in the following manner:

(a) ***GYMCL***:

(i) with respect to GYMCL's business involving the sale of 6TD and VTD series engine products, GYMCL undertakes that, during the Restricted Period, the GYMCL Connected Persons will not develop, manufacture or commission any third party to manufacture any 6TD or VTD series engine products for power generation and marine propulsion;

(ii) with respect to GYMCL's potential future business involving the development, production and sales of new engine series for applications other than power generation and marine propulsion, GYMCL undertakes that, during the Restricted Period, the GYMCL Connected Persons will not sell new engine series for the application of power generation or marine propulsion to companies or individual other than our Group; and

(iii) with respect to GYMCL's procurement of our power generator sets from our OEM customers and its subsequent sale of such products to their existing end customers, GYMCL undertakes that, on or before the third anniversary of the Company's **[REDACTED]**, GYMCL Connected Persons will only purchases our power generator sets from our OEM customers and sell to their particular existing end customer in response to our Group's request. From the third anniversary of the **[REDACTED]** onwards and until the end of the Restricted Period, GYMCL Connected Persons will cease all such sales activities.

At the same time, our Group undertakes that we will independently become an approved supplier for these specific customers on or before the third anniversary of the **[REDACTED]** of the Company.

(b) ***Simlan Technology and its wholly owned subsidiary***: GYMCL undertakes that, during the Restricted Period, other than exclusively selling to our Group, Simlan Technology will not sell range extender for the application of power generation and marine propulsion; and

(c) ***Yichen Power***: GYMCL undertakes that, during the Restricted Period, it will use its best efforts to exercise its rights as a minority shareholder of Yichen Power (holding 45% of the shares of Yichen Power) and will exercise its shareholding rights to restrict Yichen Power from expanding its business of manufacturing 6K-platform series engine for power generation and marine propulsion.

In respect of Simlan Technology, as a majority shareholder with a controlling interest (holding 89.5% of its shares), GYMCL exercises effective control over Simlan Technology and its wholly owned subsidiary. Accordingly, the non-compete undertaking provided by GYMCL in respect of Simlan Technology is substantively binding and effective, as GYMCL has the ability to procure Simlan Technology's compliance with such undertaking.

As for Yichen Power, as of the Latest Practicable Date, GYMCL, C&C Trucks and Shenzhen Jiusi held 45%, 50% and 5% of the equity interest in Yichen Power, respectively, and were entitled to appoint four, four and one out of nine directors of Yichen Power, respectively. Accordingly, no single shareholder is able to control Yichen Power by virtue of its shareholding or board composition alone. Major decisions by the board of Yichen Power, including decisions on operational and investment plans, external investments, acquisitions and disposals of assets, and related party transactions, require approval from at least two-thirds of the directors to pass a board resolution. As a result, no single shareholder is able to unilaterally control the major corporate actions of Yichen Power. However, as the two-thirds approval threshold cannot be met without the support of at least two directors appointed by GYMCL, GYMCL in essence has a veto right over the major corporate actions of Yichen Power. GYMCL has therefore undertaken to exercise its shareholding rights, where its consent is required, to restrict Yichen Power from expanding its business of manufacturing 6K-platform series engines for power generation and marine propulsion. In addition, Yichen Power has also undertaken to exclusively sell such engines for power generation and marine propulsion to us pursuant to the undertaking issued by Yichen Power in April 2026. On August 20, 2026, GYMCL entered into a share transfer agreement with C&C Trucks, under which C&C Trucks agreed to sell, and GYMCL agreed to purchase, the 45% equity interest in Yichen Power held by C&C Trucks. On August 21, 2026, GYMCL entered into another share transfer agreement with Shenzhen Jiusi, under which Shenzhen Jiusi agreed to sell, and GYMCL agreed to purchase, the 5% equity interest in Yichen Power held by Shenzhen Jiusi. Subject to and upon completion of the aforementioned transactions, Yichen Power will become a 95% owned subsidiary of GYMCL and be subject to the Deed of Non-Competition.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are able to carry on our business independently of our Controlling Shareholders and their respective close associates after the **[REDACTED]** for the reasons set out below.

Management Independence

Our Board comprises three executive Directors, three non-executive Directors and three independent non-executive Directors. We also have a senior management team comprised of our three executive Directors.

As at the Latest Practicable Date, Yulin Changyingjia held 4.29% of the shares in our Company, and Mr. Ning, our executive Director and general manager, was and will continue to be its executive partner. Similarly, Yulin Dayingjia held 1.67% of shares in our Company and Mr. Chen, our non-executive Director and chairman of the Board, was and will continue to be its executive partner, and at the same time, continue to be the general manager and a director of GYMCL and a director of certain subsidiaries of GYMCL. In addition, Mr. Neo and Ms. Su, our non-executive Directors, will continue to hold positions in our Controlling Shareholders or companies in which they have 30% or more interests:

Name of Director and positions within our Group	Position in our Controlling Shareholder or companies in which they have 30% or more interests
Mr. Ning Executive Director and general manager	• Executive partner of Yulin Changyingjia
Mr. Chen Non-executive Director	• General manager and director of GYMCL • Executive partner of Yulin Dayingjia • Director of MTU Yuchai • Director of Guangxi Yuchai Mould Equipment Company Limited* (廣西玉柴模具裝備有限公司), a company wholly owned by GYMCL • Director of Guangxi Yuchai Foundry Company Limited* (廣西玉柴鑄造有限公司), a company wholly owned by GYMCL • Director of Guangxi Yuchai Crankshaft Co., Ltd.* (廣西玉柴曲軸有限公司), a company wholly owned by GYMCL • Director of Guangxi Purem Yuchai Automotive Technology Co., Ltd.* (廣西普赫姆玉柴汽車技術有限公司), a company held as to 49% by GYMCL • Director of Guangxi Yuchai Exhaust Technology Co., Ltd.* (廣西玉柴排氣技術有限公司), a company wholly owned by GYMCL • Director of Guangxi Yufu Technology Co., Ltd.* (廣西玉福科技有限公司), a company held as to 51% by GYMCL • Director of YC Europe Co., Limited, a company held as to 75% by GYMCL
Mr. Neo Non-executive Director	• Independent director of CYI • Independent director of GYMCL
Ms. Su Non-executive Director	• Chief accountant of GYMCL • Director of Yuchai Machinery Exclusive, a company held as to 71.8% by GYMCL • Director of Guangxi Yulin Hotel Company Limited* (廣西玉林賓館有限公司), a company wholly owned by GYMCL • Director of Guangxi Yuchai Equipment Mould Company Limited* (廣西玉柴模具裝備有限公司), a company wholly owned by GYMCL • Supervisor of Simlan Technology • Supervisor of Guangxi Yuchai Foundry Company Limited* (廣西玉柴鑄造有限公司), a company wholly owned by GYMCL • Supervisor of Guangxi Yuchai Crankshaft Co., Ltd.* (廣西玉柴曲軸有限公司), a company wholly owned by GYMCL • Supervisor of Guangxi SKY Cloud Technology Co., Ltd. (廣西星網智雲科技有限公司), a company wholly owned by GYMCL • Supervisor of Guangxi Yuchai Exhaust Technology Co., Ltd.* (廣西玉柴排氣技術有限公司), a company wholly owned by GYMCL

Our management and operational decisions are made by our Board and senior management, all of whom have substantial experience in the industry in which we are engaged in and/or in their respective fields of expertise. Our Directors have a track record of devoting sufficient time and energy to discharge their duties as our Directors and senior management members and they will continue to focus on our Group's business. See "Directors and Senior Management" in this document for further details of our Directors and senior management.

Despite the common directorship and overlapping personnel, we believe that the management independence between our Group and our Controlling Shareholders will be maintained. Given that Yulin Changyingjia and Yulin Dayingjia have no substantive business other than a 4.29% and 1.67% of holdings in our Company, respectively, Mr. Ning and Mr. Chen will not be spending significant time in their roles as an executive partner in Yulin Changyingjia and Yulin Dayingjia, respectively.

Furthermore, Mr. Chen is a non-executive Chairman of the Board and a non-executive Director, while Mr. Neo and Ms. Su are non-executive Directors. All of their roles are non-executive in nature. They will not handle day-to-day operation or management in our Company after the **[REDACTED]**. In respect of transactions between our Group and the GYMCL Group, Mr. Chen, Ms. Su and Mr. Neo will be required to abstain from voting on the approval of such transactions by reason of their directorship or senior management positions at GYMCL. Notwithstanding such abstentions, the remaining Directors, including the three executive Directors, collectively possess sufficient and requisite knowledge, industry experience and expertise to advise on conflicted transactions and to make informed and independent business decisions in relation thereto. Each of Mr. Ning, Mr. Chen, Mr. Neo and Ms. Su confirms that his/her involvement in our Controlling Shareholders or their subsidiaries will not affect the discharge of his/her duties nor limit his/her time devoted to our Group. Apart from Mr. Ning, Mr. Chen, Mr. Neo and Ms. Su, none of our Directors hold any directorship or senior management position or otherwise have any employment relationship with our Controlling Shareholders or companies in which they have 30% or more interests.

Apart from the above, our Directors consider that our Board and senior management will function independently of our Controlling Shareholders due the following reasons:

(a) each Director is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;

(b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions. Further, our Articles provide that a Director shall not vote on any resolution approving any contract or arrangement in which such Director or any of his/her close associates have interest nor shall such Director be counted in the quorum present in the meeting. For details, see "Summary of the Articles of Association" in Appendix III to this document;

(c) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. See "Corporate Governance Measures" in this section below for details;

(d) the majority of the Board is independent from our Controlling Shareholders group. There are sufficient number of executive Directors and independent non-executive Directors who are independent from our Controlling Shareholders to ensure that our Board are able to perform its functions properly; and

(e) we have three independent non-executive Directors, comprising one-third of our Board which provides balance between the number of executive Directors, non-executive Directors and independent non-executive Directors, and ensure that there is a strong independent element on our Board and with a view to promoting the best interests of our Company and Shareholders taken as a whole. The independent non-executive Directors have diversified skills and experiences in their respective fields of expertise (for details of their biographical details, see "Directors and Senior Management" in this document) and our Directors believe that our independent non-executive Directors are able to bring impartial opinion and sound judgment to the decision-making process of our Board and protect the interest of our

Company and Shareholders as a whole. Our Company has established the Audit Committee, the Remuneration Committee and the Nomination Committee. Each committee includes independent non-executive Directors so as to monitor the operation of our Group.

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

Operational Independence

The business operations of our Group are carried out separately from other businesses operated by our Controlling Shareholders. Save for the connected transactions conducted in ordinary course of business of the Group entered into between the Company and GYMCL Group as detailed below, we manufacture our products and provide services independently of our Controlling Shareholders. We have full rights, hold and enjoy the benefit of all relevant licenses, have sufficient capital and employees necessary to make all decision on, and to carry out, our own business operation independent from our Controlling Shareholders and their respective close associates and will continue to do so after the **[REDACTED]**.

Licenses required for operation

We hold all relevant licenses and permits material to the operation of our business.

Access to customers, suppliers and business partners

We have a large and diversified base of customers and suppliers that are unrelated to our Controlling Shareholders and/or their respective close associates. We have independent access to such customers, our suppliers as well as other business partners.

Connected transactions with our Controlling Shareholders or their associates

The section headed "Connected Transactions" in this document sets out the non-exempted continuing connected transactions between our Group and our Controlling Shareholders or their respective associates which will continue after the completion of the **[REDACTED]**. All such transactions are determined after arm's length negotiations. As such, we expect that we will be able to maintain the aggregate amounts of the continuing connected transaction with our Controlling Shareholders and their respective associates at a reasonable percentage to our total revenues after the **[REDACTED]**. Accordingly, it is expected that such continuing connected transactions will not affect our operational independence as a whole.

Employees

We have our independent team of quality personnel, among whom have rich industry experience in designing, developing, manufacturing and sales of power generators, marine engines, and others auxiliary products. We recruit our employees independently, and we also have an independent management team to handle our day-to-day operations.

Operational facilities

We leased certain properties used as production facilities from GYMCL, our Controlling Shareholder (See "Business — Properties" and "Connected Transaction — Non-exempt Continuing Connected Transactions subject to Reporting, Annual Review and Announcement Requirements — 2. Lease of equipment to GYMCL Connected Persons" in this document for further details.) The lease agreement entered into between our Controlling Shareholder, GYMCL, and our Company commenced on January 1, 2025, for a term ending December 31, 2027. The unit area rental under the lease agreement is RMB18.36/month/sq.m. (exclusive of value added tax, management service fees and other

outgoing charges and expenses) during the lease term. The rental is payable on an annual basis, and our Company is not permitted to sublet the leased properties. The lease may be terminated by either party in advance upon 30 days' notice.

All facilities necessary for our business operations are operating independently from our Controlling Shareholders and their respective close associates. Based on the above, our Directors are satisfied that we are able to function and operate independently from our Controlling Shareholders and their close associates after the **[REDACTED]**.

Financial Independence

Our Group is not financially dependent on our Controlling Shareholders, and we do not expect to rely on our Controlling Shareholders for financing after the **[REDACTED]**. Our Company has established its own independent finance department and implemented its own independent audit, accounting, internal control and financial management systems. We make financial decisions and determine our use of funds according to our own business needs. We have opened accounts with banks independently and do not share any bank account with our Controlling Shareholders. Furthermore, we have made tax filings and paid tax independently of our Controlling Shareholders pursuant to applicable laws and regulations. We have adequate internal resources to support our daily operations.

As of the Latest Practicable Date, there was no outstanding loan, advance, balance of non-trade nature due to or from, or pledge or guarantee provided by our Controlling Shareholders or their respective close associates to us. We have been and are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders.

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

CORPORATE GOVERNANCE MEASURES

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

Our Directors recognize the importance of good corporate governance in protection of our Shareholders' interests. We will adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders:

(a) where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of its associates has a material interest, our Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;

(b) our Company has established internal control mechanisms to identify connected transactions. Upon the **[REDACTED]**, if our Company enters into connected transactions with a Controlling Shareholder or any of his/its associates, our Company will comply with the applicable Listing Rules;

(c) our Company will disclose decisions (with basis) on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements;

(d) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expenses;

(e) the independent non-executive Directors will review, on an annual basis, compliance with the Deed of Non-competition given by GYMCL. Our Company will disclose decisions relating to compliance and enforcement of the Deed of Non-competition (including our independent non-executive Directors' views for such decision) in our annual report;

(f) our Directors will be responsible for reviewing, considering and deciding whether or not to take up any business opportunity under the Deed of Non-competition. Any Directors who have a material interest in such decision shall abstain from voting. Our Company will disclose such decision (including our independent non-executive Directors' views for such decision) in our annual report;

(g) GYMCL will undertake, according to the requirements under the Listing Rules, to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the purpose of their annual review referred to in paragraph (e) above; and

(h) we have appointed Anglo Chinese Corporate Finance, Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

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

CONNECTED TRANSACTIONS

OVERVIEW

We have, in our ordinary and usual course of business, entered into certain transactions with entities that will become our connected persons (as defined under Chapter 14A of the Listing Rules) upon **[REDACTED]**. Such transactions will continue after the **[REDACTED]** and will therefore constitute our continuing connected transactions under the Listing Rules.

CONNECTED PERSONS

The following entities will become our connected persons (as defined under Chapter 14A of the Listing Rules) upon **[REDACTED]** and have entered into certain transactions with us which will constitute continuing connected transactions under Chapter 14A of the Listing Rules:

Connected Persons	Connected Relationship
GYMCL and its associates (excluding our Group)	GYMCL is one of the Controlling Shareholders of our Company

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

Nature of transactions	Counterparties	Applicable Listing Rules	Waiver Sought
Fully-exempt continuing connected transactions			
Procurement of brand management and shared services	GYMCL	14A.76(1)(a)	N/A
Provision of production related services	GYMCL	14A.76(1)(a)	N/A
Procurement of catering and hotel services	GYMCL Connected Persons	14A.97	N/A
Procurement of utility services	GYMCL Connected Persons	14A.97	N/A
Non-exempt continuing connected transactions			
Procurement of equipment, intangible assets and related services	GYMCL Connected Persons	14A.34, 14A.35, 14A.49, 14A.51 to 14A.59 and 14A.71	Announcement requirement
Lease of equipment to connected persons	GYMCL Connected Persons	14A.34, 14A.35, 14A.49, 14A.51 to 14A.59 and 14A.71	Announcement requirement
Lease of properties from connected persons	GYMCL Connected Persons	14A.34, 14A.35, 14A.49, 14A.51 to 14A.59 and 14A.71	Announcement requirement
Procurement of products and related services	GYMCL Connected Persons	14A.34 to 14A.36, 14A.46, 14A.49, 14A.51 to 14A.59 and 14A.71	Announcement and independent Shareholders' approval requirements
Sale of products and services	GYMCL Connected Persons	14A.34 to 14A.36, 14A.46, 14A.49, 14A.51 to 14A.59 and 14A.71	Announcement and independent Shareholders' approval requirements

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into the following transactions with our connected persons on normal commercial terms, which will continue after the **[REDACTED]**:

(1) We entered into a brand management and shared services agreement with GYMCL on [●], 2026, for the period commencing January 1, 2026 until December 31, 2028, subject to renewal by mutual consent ("**Brand Management and Shared Services Agreement**"). Pursuant to the Brand Management and Shared Services Agreement, GYMCL will provide us with services encompassing trademark guidance, brand strategy formulation, brand planning, digital marketing, brand protection support, and certain shared services such as human resources services, tax and finance consulting services, centralized office supplies procurement services, training services and technology services at an annual service fee of RMB2.4 million. For FY2023, FY2024, FY2025 and 1H2026, the historical transaction amounts for the abovementioned transactions amounted to RMB3.5 million, RMB3.6 million, RMB5.8 million and RMB1.2 million. The transaction amount increased from RMB3.6 million in FY2024 to RMB5.8 million in FY2025, primarily due to the increase in amount of service procured from GYMCL. Based on the annual service fee agreed between the parties under the Brand Management and Shared Services Agreement, our Directors believe that the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will be less than 5% and the total consideration will be less than HK$3.0 million on an annual basis, such transaction will constitute a de minimis continuing connected transaction of our Company pursuant to Rule 14A.76(1) of the Listing Rules that will be fully exempt from reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The decrease in annual caps is primarily due to the expected reduction in the amount of the brand management and shared services procured from GYMCL to further enhance the delineation of administrative operations in anticipation of the **[REDACTED]**.

(2) We entered into a provision of services framework agreement with GYMCL (for itself and in respect of transactions with other members of GYMCL Connected Persons) on [●], 2026 with a term commencing from January 1, 2026 until December 31, 2028, subject to renewal by mutual consent, pursuant to which our Group may from time to time provide such GYMCL Connected Persons services that primarily include (i) engine components processing and machining services and (ii) engine testing services. For FY2023, FY2024, FY2025 and 1H2026, the historical transaction amounts for the above-mentioned transactions amounted to RMB1.3 million, RMB2.5 million, RMB2.3 million and RMB0.4 million. The transaction amount increased from RMB1.3 million in FY2023 to RMB2.5 million in FY2024, primarily due to an increase in GYMCL's demand for engine testing services. Taking into account estimates of transactions as at the Latest Practicable Date, our Directors believe that each of the applicable percentage ratios (other than the profit ratio) calculated for the purpose of Chapter 14A of the Listing Rules is expected to be, on an annual basis, less than 0.1%, such transaction will constitute a de minimis continuing connected transaction of our Company pursuant to Rule 14A.76(1) of the Listing Rules that will be fully exempt from reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(3) We entered into a catering and hotel services framework agreement with GYMCL (for itself and in respect of transactions with other members of GYMCL Connected Persons) on [●], 2026, for the period commencing January 1, 2026 until December 31, 2028, subject to renewal by mutual consent. Pursuant to the catering and hotel services framework agreement, GYMCL Connected Persons, through the hotels and restaurants operated by GYMCL Connected Persons, may provide catering and hotel services, being consumer services, to our Group, in their ordinary and usual course of business. The catering services primarily comprise food and drink we purchased for the benefit of our Company's employees such as

employee lunch and beverages for factory workers during periods of high temperature. The hotel services primarily comprise conference services and accommodation services for our customers, suppliers and other business visitors. We pay catering and hotel fees with reference to prevailing market rates. For FY2023, FY2024, FY2025 and 1H2026, the historical transaction amounts for the abovementioned transactions amounted to RMB3.5 million, RMB3.9 million, RMB5.1 million and RMB2.8 million. The transaction amount increased from RMB3.9 million in FY2024 to RMB5.1 million in FY2025, primarily due to the increase in the number of employees and the catering service fee. The services are provided on normal commercial terms that are comparable to, or no less favorable to us than those available from Independent Third Parties. Therefore, the transactions contemplated under the catering and hotel services framework agreement will constitute fully exempt continuing connected transactions and are exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.97 of the Listing Rules.

(4) We entered into a utility services agreement with GYMCL (for itself and in respect of transactions with other members of GYMCL Connected Persons) on [●], 2026 with a term commencing from January 1, 2026 until December 31, 2028, subject to renewal by mutual consent, for the procurement of utilities (including water and electricity) in respect of the Leased Properties (as defined below) for our operations. The utility fees are payable by us on a cost basis at the government-prescribed rates charged on the Leased Properties. For FY2023, FY2024, FY2025 and 1H2026, the historical transaction amounts for the procurement of utility services amounted to RMB22.7 million, RMB20.4 million, RMB22.9 million and RMB10.6 million. The utility services are consumer services and are provided to us on normal commercial terms that are comparable to, or no less favorable to us than those available from Independent Third Parties. Therefore, the transactions contemplated under the utility services agreement will constitute fully exempt continuing connected transactions and are exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.97 of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS SUBJECT TO REPORTING, ANNUAL REVIEW AND ANNOUNCEMENT REQUIREMENTS

We have entered into the following transactions where our Directors believe that, taking into account estimates of each of the category of transactions as at the Latest Practicable Date, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will be more than 0.1% but less than 5% on an annual basis. Under Rule 14A.76(2) of the Listing Rules, these transactions will be subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules but will be exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

1. Procurement of equipment, intangible assets and related services

Parties

GYMCL (for itself and in respect of transactions with other members of GYMCL Connected Persons)

Our Company (for itself and in respect of transactions with our Group)

Principal terms

On [●], [●], we entered into a framework agreement with GYMCL for the procurement of equipment, intangible assets and related services (the "**Equipment and Intangible Assets Procurement Framework Agreement**"), pursuant to which our Group may from time to time

procure from GYMCL Connected Persons certain IT and production equipment, intangible assets (such as operational software system which, as at the Latest Practicable Date, primarily relate to research and development platform system and ERP system) for use in our operations, and certain related services that primarily include system maintenance services for the intangible assets we procured, software services (being right-of-use or access to software or systems) and construction services. The initial term of the Equipment and Intangible Assets Procurement Framework Agreement shall commence from January 1, 2026 and continue until December 31, 2028, subject to renewal by mutual consent.

Pricing terms

The pricing for the procurement of the relevant products and services shall be determined according to the following mechanism: the procurement department of our Company conducts price reviews for the products/services required, in which a number of factors, including (i) the type, quantity, specification and cost of the products or services required, (ii) the market price of the products or services (or the same type of products or services on the market), (iii) prices approved by the local pricing authorities, if and where applicable, and (iv) quotes from at least two independent third-party suppliers (if such products or services can be procured from Independent Third Parties), are comprehensively considered in order to formulate its pricing proposal which will be put before the head of procurement department of our Company for approval. Following such review, the same are further submitted to senior management for approval, and the final prices are determined through arm's length negotiations conducted among the parties provided that the prices and terms shall not be less favorable to us than those for transactions between our Group and Independent Third Parties under the same conditions. Such price reviews are normally conducted on at least an annual basis.

Reasons for the transactions

We procure from GYMCL Connected Persons production equipment that aligns with our Group's technical specifications and business needs and engage GYMCL for certain related construction work such as construction and assembly of production lines. GYMCL Connected Persons possess deep industry knowledge and technical expertise, enabling them to design and tailor production equipment to our Group's operational requirements. In addition, from time to time, GYMCL Connected Persons may have previously developed, tested, and deployed comparable systems and production equipment for other companies within the GYMCL group. Our Group is therefore able to leverage such prior investment and technical development, adopting proven systems at a lower cost than would be incurred if such equipment were to be independently developed or sourced from Independent Third Parties. The relevant transactions have been entered into in the ordinary and usual course of business of our Company and on normal commercial terms. The procurement of IT equipment, intangible assets and software services from GYMCL Connected Persons is driven by our Group's operational needs in day-to-day business and requirements for automated software systems to support and enhance its production and management processes. GYMCL Connected Persons have historically supplied us with various systems and software used in our marketing, office, research and development and cost management activities, including our SKY Marketing Management Platform and office automation system. GYMCL Connected Persons have deep understanding of our business operations and, where needed, are able to tailor the relevant systems to our needs. Given our past business dealings with GYMCL Connected Persons, we consider it more appropriate to procure the relevant system and software maintenance services from the same provider.

Historical amounts

Set out below are the historical transaction amounts for the abovementioned transactions during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Historical transaction amounts	3,368	9,601	7,558	4,615

The transaction amount increased from RMB3.4 million in FY2023 to RMB9.6 million in FY2024, primarily due to the purchase of large-scale production line equipment used in the casting process. The transaction amount decreased from RMB9.6 million in FY2024 to RMB7.6 million in FY2025, primarily due to a reduction in the purchase of production equipment partially offset by the increase in intangible asset purchases.

Annual caps and basis

The maximum aggregate annual transaction amounts under the Equipment and Intangible Assets Procurement Framework Agreement for the three years ending December 31, 2028 shall not exceed the caps set out below:

	For the year ended December 31,		
	2026	2027	2028
	RMB'000	RMB'000	RMB'000
Annual caps	48,092	45,180	51,544

The above proposed annual cap for the annual transaction amounts under the Equipment and Intangible Assets Procurement Framework Agreement is determined taking into account:

(a) the historical transaction amounts during the Track Record Period, and

(b) the estimated transaction amounts based on the existing contracts or arrangements between our Group and GYMCL Connected Persons as well as our business growth, in particular, we expect to see increase in procurement primarily for (i) production equipment and test bench construction to expand our production and R&D capacity, and (ii) AI services used in R&D, production and operation management, including AI-aided 3D modeling for engine component, simulation analysis and component design generation, AI assisted defect diagnosis in engine testing process and automated contract review.

2. Lease of equipment to GYMCL Connected Persons

Parties

GYMCL (for itself and in respect of transactions with other members of GYMCL Connected Persons) (as lessee)

Our Company (for itself and in respect of transactions with our Group) (as lessor)

Principal terms

On [●], [●], we entered into a lease framework agreement with GYMCL Connected Persons (the "**Equipment Leasing Framework Agreement**"), pursuant to which our Group may lease certain casting equipment used in casting production such as lathe, mobile lifting platform, transfer

cart, bidirectional powered roller conveyor and manual roller conveyor to GYMCL Connected Persons. The initial term of the Equipment Leasing Framework Agreement shall commence from January 1, 2026 and continue until December 31, 2028, subject to renewal by mutual consent.

Pricing terms

The rent during the leasing term under the Equipment Leasing Framework Agreement shall be determined on normal commercial terms after arm's length negotiations between the relevant parties and with reference to (i) the type, quantity, conditions and specification of the required equipment and (ii) the estimated depreciation expenses of the leased equipment for the relevant financial year, and shall not be less favorable to us than those for transactions between our Group and Independent Third Parties under the same conditions.

Reasons for the transactions

Before March 2024, we produced in-house cylinder block rough castings for our self-produced large engines and heavy-duty engines. In March 2024, as part of our Group's strategic initiative to optimize resource allocation by focusing on higher value-added segments of the engine manufacturing process (such as precision machining, assembly and testing), we transitioned from in-house production of such rough castings to sourcing them from suppliers, primarily GYMCL Connected Persons. Following which, our Company (as lessor) reached an agreement with GYMCL Connected Persons (as lessee) to lease the relevant casting equipment owned by us to GYMCL Connected Persons for their use in their casting production. The equipment lease reflects our Company's business considerations in utilizing existing assets that would otherwise be idle.

Historical amounts

Set out below are the historical transaction amounts for the abovementioned transactions during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Historical transaction amounts	—	9,359	12,159	5,492

The transaction amount increased from approximately RMB9.4 million in FY2024 to RMB12.2 million in FY2025, primarily due to increases in the quantity of equipment leased to GYMCL Connected Persons.

Annual caps and basis

The maximum aggregate annual transaction amounts under the Equipment Leasing Framework Agreement for the three years ending December 31, 2028 shall not exceed the caps set out below:

	For the year ended December 31,		
	2026	2027	2028
	RMB'000	RMB'000	RMB'000
Annual caps	13,400	14,600	16,400

The above proposed annual cap for the annual transaction amounts under the Equipment Leasing Framework Agreement is determined taking into account:

(a) the historical transaction amounts during the Track Record Period, and

(b) the estimated transaction amounts based on the existing contracts or arrangements between our Group and GYMCL Connected Persons, and the expected increase in the quantity of equipment leased to GYMCL Connected Persons.

3. Lease of properties from GYMCL Connected Persons

Parties

GYMCL (for itself and in respect of transactions with other members of GYMCL Connected Persons) (as lessor)

Our Company (for itself and in respect of transactions with our Group) (as lessee)

Principal terms

On [●], [●], we entered into a property leasing framework agreement with GYMCL Connected Persons (the "**Property Leasing Framework Agreement**"), pursuant to which we may lease from GYMCL Connected Persons certain properties which primarily consist of (i) production facilities used for engine production, including the machining of engine components (the "**Production Lease**"), (ii) research space primarily used for large engine R&D activities (the "**R&D Lease**"); (iii) shared office spaces for our sales teams outside Yulin City (the "**Office Lease**") and (iv) warehouses for storage of finished engines (the "**Warehouse Lease**") (together the "**Leased Properties**"). The initial term of the Property Leasing Framework Agreement shall commence from January 1, 2026 and continue until December 31, 2028, subject to renewal by mutual consent. As at the Latest Practicable Date, the Property Leasing Framework Agreement is expected to govern the connected transactions with GYMCL Connected Persons from the **[REDACTED]** in respect of the properties leased from GYMCL Connected Persons with an aggregate gross floor area of 103,504.2 sq.m. under four lease agreements.

In respect of the Production Lease, GYMCL Connected Persons also provide wastewater treatment services through the built-in sewage system of such facilities as an ancillary service at nil cost.

Pricing terms

The rents during the leasing term shall be determined according to the following mechanism: the relevant department of our Company that has land use needs will conduct price reviews of the relevant property (for example, office space is reviewed by the management department and production space is reviewed by the production department), in which a number of factors, including: (i) the prevailing market rents of similar properties in the same or nearby area or similar locations in Guangxi, (ii) the conditions of the property, including but not limited to its location and the facilities associated with the property and (iii) quotes from at least two independent third-party lessors, are comprehensively considered in order to formulate its pricing proposal which will be put before the relevant department head for approval. Following such review, the same are further submitted to senior management for approval, and the final prices are determined through arm's length negotiations conducted among the parties provided that the rents shall be in line with and no more than the market rates of properties of comparable size and quality situated in the same locality available or charged by Independent Third Parties.

Reasons for the transactions

Historically and throughout the Track Record Period and up to the Latest Practicable Date, we utilized and will continue to utilize the Leased Properties for various operational use. Commercially, our Group considers this more appropriate than investing in our own real estate. The relevant leases have been entered into in the ordinary and usual course of business of our Company and on normal commercial terms.

Historical amounts

Set out below are the historical lease payments for the abovementioned transactions during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Historical right-of-use assets	—	—	62,075	—
Historical payments recognized as expense	—	—	—	2,217

Pursuant to HKFRS 16, the right-of-use assets are recognized at the commencement of the relevant lease and amortized over the lease term. The relevant leases during the Track Record Period were for a term of three years and expired on December 31, 2024. The historical right-of-use assets in FY2023 and FY2024 are nil because no new leases were entered into in the relevant years. The increase in right-of-use assets to RMB62.1 million in FY2025 was attributable to the commencement of new leases in FY2025.

Annual caps and basis

The annual caps under the Property Leasing Framework Agreement for the three years ending December 31, 2028 are set out below:

	For the year ended December 31,		
	2026	2027	2028
	RMB'000	RMB'000	RMB'000
Annual caps for right-of-use assets	22,420	10,755	128,546
Annual caps for payments recognized as expenses	4,000	4,500	5,000

Pursuant to HKFRS 16, the R&D Lease and Production Lease shall be recognized as right-of-use assets and the Office Lease and Warehouse Lease shall be recognized as expenses. Accordingly, the annual caps reflect the respective maximum amount of (i) the expected total value of the right-of-use assets for leases to be entered into by the Group in each year under the Property Leasing Framework Agreement, and (ii) the total amount of lease payments to be paid by and recognized by the Group as expenses in each year under the Property Leasing Framework Agreement. Under the Property Leasing Framework Agreement, further premises may be leased but we will comply with all relevant Listing Rules (including shareholders' approval) prior to the relevant percentage ratios pursuant to Chapter 14 of the Listing Rules being 5% or more.

The above proposed annual caps under the Property Leasing Framework Agreement are determined taking into account:

(a) the historical lease payments during the Track Record Period;

(b) the estimated lease payments taking into account the existing leasing agreements and future lease arrangements that may be entered into between our Group and GYMCL Connected Persons. We expect to enter into further leases with GYMCL Connected Persons which, as at the Latest Practicable Date, primarily relate to properties to be used as office space. We expect to enter into such lease arrangements because the relevant properties are in close proximity to our business premises, offering greater operational convenience than comparable properties available from Independent Third Parties at similar rental levels; and

(c) the geographical locations of the Leased Properties and the prevailing rental rates in similar locations for properties of comparable size and quality.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS SUBJECT TO REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

In our ordinary and usual course of business, we have entered into the following transactions where our Directors believe that, taking into account estimates of each of the category of transactions as at the Latest Practicable Date, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will be more than 5% on an annual basis. Under Rule 14A.76(2) of the Listing Rules, these transactions will be subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

4. Procurement of products and related services

Parties

GYMCL (for itself and in respect of transactions with other members of GYMCL Connected Persons)

Our Company (for itself and in respect of transactions with our Group)

Principal terms

On [●], [●], we entered into a framework agreement with GYMCL (the "**Products and Services Procurement Framework Agreement**"), pursuant to which our Group may from time to time procure from GYMCL Connected Persons: (a) certain products which primarily include (i) components for engines such as cylinder head rough castings, cylinder block rough castings, crankshafts, exhaust pipes, fuel injection pumps and pump components, and (ii) finished engines; and (b) related services which primarily include engine testing services for certain medium- to light-duty engines, machining services, mold development services, equipment maintenance and repair services, storage and logistic services, quality inspection services for engine components and certain miscellaneous services. The initial term of the Products and Services Procurement Framework Agreement shall commence from January 1, 2026 and continue until December 31, 2028, subject to renewal by mutual consent.

Pricing terms

The pricing for the procurement of the relevant products and services shall be determined according to the following mechanism: the procurement department of our Company conducts price reviews for the products or services required, in which a number of factors, including (i) the type, quantity, specification and cost of the products or services required, (ii) prices approved by the local pricing authorities, if and where applicable, (iii) market price of the products or services (or the same type of products or services on the market) based on market research, and (iv) quotes from at least two independent third-party suppliers (if such products or services can be procured from Independent Third Parties) are comprehensively considered in order to formulate its pricing proposal which will be put before the head of procurement department of our Company for approval. Following such review, the same are further submitted to senior management for approval, and the final prices are determined through arm's length negotiations conducted among the parties provided that the prices and terms shall not be less favorable than those for transactions between our Group and Independent Third Parties under the same conditions. Such price reviews are normally conducted on at least an annual basis, during which our procurement department will consider the market data of the finished engines as collected by our sales department.

Reasons for the transactions

GYMCL Connected Persons have deep expertise in the design and manufacture of a wide range of light-, medium- and heavy-duty engines for trucks, buses, pickups, construction and agricultural equipment and engine components. During the Track Record Period, we procured from GYMCL Connected Persons various engine components which primarily include the rough castings for cylinder heads and cylinder blocks. We procure these components from GYMCL Connected Persons because they are familiar with our business needs and quality specifications, and are capable of delivering a high-quality and reliable supply of engine component products. In addition, GYMCL Connected Persons operate specialized and dedicated casting production facilities that can produce the rough castings we require with economies of scale and enhanced production efficiency thereby supporting greater cost effectiveness. We procure from GYMCL Connected Persons a number of specific models of finished engines that are technically suitable and can be adopted for deployment in power generation and marine applications for the purposes of (i) maintaining a comprehensive product portfolio and meeting customer needs and (ii) for use in our testing and research and development. During the Track Record Period, the finished engines we procured from GYMCL Connected Persons were certain medium- to light-duty engines and marine engines with lower rated power (between 150 kW and 490 kW). Such engines generally carry lower gross profit margins. For FY2025, the gross profit margins of our Group's sales of medium- to light-duty engines and marine engines were 6.5% and 22.5%, respectively, which is lower than the profit margin of our large engines. We do not produce such engines ourselves as we do not have the specific production equipment, while GYMCL Connected Persons have stronger specialties and have established capabilities in the design and manufacture of such medium- to light-duty and marine engines. To ensure that competition will not develop between the GYMCL Connected Persons (on the one hand) and our Group (on the other hand) in the future, GYMCL will provide certain undertaking to our Company. See "Relationship with Our Controlling Shareholders — Delineation of Businesses — Deed of Non-Competition" in this document for further details.

Historically and throughout the Track Record Period and up to the Latest Practicable Date, we procured from GYMCL Connected Persons testing services for certain medium- to light-duty engines and quality inspection services for engine components because GYMCL Connected Persons maintain the relevant engine testing equipment and component testing laboratories which we do not possess in-house. We consider it more appropriate and economical for us to procure these services rather than investing in the dedicated equipment and laboratories. From time to time, we also procure from GYMCL Connected Persons machining services for engine components and mold development services primarily for the development of new engine component molds. As a

strategic initiative to consolidate resources, GYMCL group has (i) built a dedicated equipment technician team and (ii) invested in a joint venture company providing storage and logistics services. We procure from GYMCL Connected Persons (i) regular equipment maintenance and repair services for production equipment beyond the warranty period, which allows us to access a pool of highly skilled technicians who are locally stationed and able to provide a fast response as needed; and (ii) storage and logistics services for storage and delivery services between our warehouses and production lines for enhanced performance and operational efficiency, given, among other factors, our former service provider's lack of capital to meet our expanding business needs.

Historical amounts

Set out below are the historical transaction amounts for the abovementioned transactions during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Historical transaction amounts with GYMCL Connected Persons excluding Nanyue Fuel Injection	216,452	426,892	537,894	330,860
Historical transaction amounts with Nanyue Fuel Injection(1)	52,115	80,462	153,705	102,105

The transaction amount with GYMCL Connected Persons (excluding Nanyue Fuel Injection) increased from approximately RMB216.5 million in FY2023 to RMB426.9 million in FY2024 primarily due to our transition in March 2024 from in-house production of cylinder block rough castings to sourcing them externally and an increase in our sales. The transaction amount further increased from RMB426.9 million in FY2024 to RMB537.9 million in FY2025, primarily due to the increase in our sales volumes.

Note:

(1) On December 26, 2025, GYMCL entered into sale and purchase agreements with two Independent Third Parties respectively, and an acting in concert agreement with a third Independent Third Party to acquire the control of approximately 66% of the voting rights attached to the equity holding in Nanyue Fuel Injection. Upon the completion of the business registration procedures with the relevant authorities on December 30, 2025, Nanyue Fuel Injection became an associate of GYMCL, and therefore, our connected person.

Annual caps and basis

The maximum aggregate annual transaction amounts under the Products and Services Procurement Framework Agreement for the three years ending December 31, 2028 shall not exceed the caps set out below:

	For the year ended December 31,		
	2026	2027	2028
	RMB'000	RMB'000	RMB'000
Annual caps	975,050	1,157,629	1,296,927

The above proposed annual caps of procurements under Products and Services Procurement Framework Agreement are determined with reference to:

(a) the historical transaction amounts during the Track Record Period;

(b) the estimated demands for the products and services supplied by GYMCL Connected Persons taking into account the transaction amounts based on the existing contracts or arrangements between our Group and GYMCL Connected Persons;

(c) the expected increase in procurement of complete engines, engine components, and the related services due to the anticipated business growth of our Group based on our business plan and management's estimation; and

(d) the estimated product price to be charged by GYMCL Connected Persons, with reference to the price level during the Track Record Period and the potential fluctuation in the price.

5. Sale of products and services

Parties

GYMCL (for itself and in respect of transactions with other members of GYMCL Connected Persons)

Our Company (for itself and in respect of transactions with our Group)

Principal terms

On [●], [●], we entered into a framework agreement with GYMCL (the "**Products and Services Sales Framework Agreement**"), pursuant to which our Group may from time to time supply to GYMCL Connected Persons (i) various engine components; (ii) certain finished engines, (iii) certain power generator sets and (iv) scrap metal as a by-product arising from our production process. From time to time, we may also charge relevant GYMCL Connected Persons repair service fees for repairing, replacing or otherwise remediating defects in components originally procured from relevant GYMCL Connected Persons pursuant to the Products and Services Sales Framework Agreement. The initial term of the Products and Services Sales Framework Agreement shall commence from January 1, 2026 and continue until December 31, 2028, subject to renewal by mutual consent.

Pricing terms

The pricing for the relevant products we offer to GYMCL Connected Persons, including various engine components, certain finished engines and power generator sets, shall be determined based on arm's length negotiations between the parties with reference to (i) the type, quantity, specification and cost of the product required, (ii) prices approved by the local pricing authorities, if and where applicable, and (iii) market prices of the products (or same type of products on the market), provided that the prices and terms shall not be less favorable to us than those for transactions between our Group and Independent Third Parties under the same conditions. We maintain guidance prices for our finished engine products, which are reviewed on an annual basis and are equally applicable to Independent Third Parties and Connected Persons. For prices not lower than the applicable threshold of the guidance price (which varies depending on the type of product), our sales team will submit the price proposal for review and approval by the director of our regional sales team, following which the same is further submitted to the head of the sales department for approval. In special circumstances where the price is lower than the applicable

threshold (such as sales of sample finished engines), in addition to the aforementioned procedures, approval from the pricing committee of our Company is also required. For our components, which are primarily sold for after-sales use, we generally apply cost-plus pricing, with margins typically ranging from approximately 1% to 30% depending on the type of component. Components produced in-house typically carry higher margins, reflecting the additional value-added manufacturing processes, quality control and technical expertise contributed by our Company, whereas externally sourced components typically carry lower margins, as they have lower value-add and are intended to serve our customers' after-sales needs. For components of a small number of gas engine series, the prices are determined with reference to comparative market prices due to the unique characteristics of such gas engines.

The repair service fees for the defective components are determined with reference to the original purchase price paid by our Group for the relevant components or finished engines, the costs and expenses incurred by us for the repairing services (if applicable) and a compensation amount as agreed between the parties.

Reasons for the transactions

Historically and throughout the Track Record Period and up to the Latest Practicable Date, we sold engine components to GYMCL Connected Persons whose member possesses an extensive nationwide warehouse network that can facilitate the efficient delivery of these engine components to our chain of authorized service stations. Such arrangement reflects our Company's business considerations in optimizing the availability of after-sales support for engine components and allows our Company to utilize GYMCL Connected Persons' established logistics infrastructure, avoiding substantial capital expenditure on a nationwide warehousing system. GYMCL Connected Persons may also purchase engine components from us for its production and testing of engines, primarily during inventory shortage and urgent delivery timeline and when certain accessory parts were not sold separately by other suppliers. In addition, we also provide GYMCL Connected Persons with (i) certain large and heavy-duty finished engines (primarily TD and VTD series engines) that GYMCL Connected Persons do not have the capability to produce themselves for their distribution to their customers in the vehicle manufacturing industry (ii) certain heavy-duty and medium- to light-duty finished engines for distribution in the overseas market through GYMCL Connected Persons, and (iii) a limited number of power generator sets for distribution in the energy industry.

Separately, to optimize the utilization of our resources, we also sell scrap metal, including machining offcuts and defective metal components arising from the production process, to GYMCL Connected Persons, who can recycle and reuse such scrap in their casting operations.

As part of our product quality control, we charge relevant GYMCL Connected Persons repair service fees for repairing, replacing or otherwise remediating defects in components or finished engines they sold to us.

We expect that we will continue these transactions with GYMCL Connected Persons, given their continued demand for our products and that the selling price of the products is no less favorable to us than those offered to Independent Third Parties.

Historical amounts

Set out below are the historical transaction amounts for the abovementioned transactions during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Historical transaction amounts with GYMCL Connected Persons excluding Nanyue Fuel Injection	54,877	77,211	94,399	53,891
Historical transaction amounts with Nanyue Fuel Injection(1)	663	919	790	414

The transaction amount with GYMCL Connected Persons (excluding Nanyue Fuel Injection) increased from approximately RMB54.9 million in FY2023 to RMB77.2 million in FY2024 and further increased to RMB95.2 million in FY2025, primarily due to (i) an increase in our sales volume leading to a corresponding rise in sales of engine components to GYMCL Connected Persons for after-sales services provided by authorized service stations; (ii) increased demand from GYMCL Connected Persons for engines sold to the vehicle manufacturing industry; and (iii) increased overseas sales for certain heavy-duty and medium- to light-duty finished engines.

Note:

(1) On December 26, 2025, GYMCL entered into sale and purchase agreements with two Independent Third Parties respectively, and an acting in concert agreement with a third Independent Third Party to acquire the control of approximately 66% of the voting rights attached to the equity holding in Nanyue Fuel Injection. Upon the completion of the business registration procedures with the relevant authorities on December 30, 2025, Nanyue Fuel Injection became an associate of GYMCL, and therefore, our connected person.

Annual caps and basis

The maximum aggregate annual transaction amounts under the Products and Services Sales Framework Agreement for the three years ending December 31, 2028 shall not exceed the caps set out below:

	For the year ended December 31,		
	2026	2027	2028
	RMB'000	RMB'000	RMB'000
Annual caps	193,948	257,705	319,758

The above proposed annual caps of the sales under Products and Services Sales Framework Agreement are determined with reference to:

(a) the historical transaction amounts during the Track Record Period;

(b) the estimated transaction amounts based on the existing contracts or arrangements between our Group and GYMCL Connected Persons; and

(c) the expected increase in sales of engine components used in after-sales service due to the anticipated business growth of our Group based on our business plan and management's estimation.

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Under Rule 14A.76(2) of the Listing Rules, the transactions under the subsection headed "— Non-exempt continuing connected transactions subject to the reporting, annual review and announcement requirements" and "— Non-exempt continuing connected transactions subject to reporting, annual review, announcement and independent Shareholders' approval requirements" will constitute our continuing connected transactions subject to those requirements under Chapter 14A of the Listing Rules (as the case may be).

As those non-exempt continuing connected transactions are expected to continue on a recurring and continuing basis and have been fully disclosed in this document, our Directors consider that compliance with the announcement and the independent Shareholders' approval requirements (as the case may be) would be impractical, and such requirements would lead to unnecessary administrative costs and would be unduly burdensome to us.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted], waivers exempting us from strict compliance with (i) the announcement requirement under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in "— Non-exempt continuing connected transactions subject to the reporting, annual review and announcement requirements" in this section; and (ii) the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in "— Non-exempt continuing connected transactions subject to reporting, annual review, announcement and independent Shareholders' approval requirements" in this section, subject to the condition that the aggregate amounts of the continuing connected transactions for each financial year shall not exceed the relevant amounts set forth in the respective annual caps (as stated above).

Save for the announcement, circular and/or Shareholders' approval requirements for which waivers have been applied, we will comply with the relevant requirements under Chapter 14A of the Listing Rules.

CONFIRMATION FROM OUR DIRECTORS

Our Directors [(including our independent non-executive Directors)] are of the view that the non-exempt continuing connected transactions as set out above have been and will be carried out in our ordinary and usual course of business and on normal commercial terms or better, and are fair and reasonable and in the interest of our Company and Shareholders as a whole, and that the proposed annual caps for those transactions are fair and reasonable and in the interest of our Company and Shareholders as a whole.

The increases in the annual caps for the purchases from and sales to GYMCL Connected Persons primarily reflect the business growth of our Company based on the business plan and management's estimation. Our Company expects that the percentage of total revenue and total purchases from GYMCL Connected Persons will remain stable. As a result, our Directors are of the view that there is no trend suggesting an increasing level of reliance on the revenue and purchases from GYMCL Connected Persons.

CONFIRMATION FROM THE JOINT SPONSORS

Based on the review of the documentation, information and data provided by our Company, the representations and confirmations from our Company, and the participation in the due diligence and discussion with our Company, the Joint Sponsors are of the view that, as at the Latest Practicable Date, (i) the aforesaid non-exempt continuing connected transactions for which the waivers have been sought have been entered into in the ordinary and usual course of business of our Company, are on normal commercial terms or better, are fair and reasonable, and are in the interests of our Company and the

Shareholders as a whole, and (ii) the proposed annual caps of the non-exempt continuing connected transactions are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

INTERNAL CONTROL MEASURES TO SAFEGUARD SHAREHOLDERS' INTERESTS

In order to further safeguard the interests of the Shareholders as a whole (including the minority Shareholders), our Group has implemented the following internal control measures in relation to the continuing connected transactions:

a) Our Group has approved internal guidelines which provide that if the value of any proposed connected transaction is expected to exceed certain thresholds, the relevant staff must report the proposed transactions to the head of the relevant business unit in order for our Company to commence the necessary additional assessment and approval procedures and ensure that we will comply with the applicable requirements under Chapter 14A of the Listing Rules; and

b) Our Company will provide information and supporting documents to the independent non-executive Directors and the auditors in order for them to conduct an annual review of the continuing connected transactions entered into by our Company. In accordance with the requirements under the Listing Rules, the independent non-executive Directors will provide an annual confirmation to the Board as to whether the continuing connected transactions have been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are in accordance with the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and the auditors will provide an annual confirmation to the Board as to whether anything has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Board, are not in accordance with the pricing policies of our Group in all material respects, are not entered into in accordance with the relevant agreements governing the transactions in all material respects or have exceeded the cap.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, as of the Latest Practicable Date and immediately following the completion of the **[REDACTED]** and the conversion of our Unlisted Shares to H Shares (assuming no exercise of the **[REDACTED]**), the following persons will have interests and/or short positions in our Shares or our underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meeting of our Company or any other members of our Group:

Interest in our Company

		As of the Latest Practicable Date		Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)[1]	
Name of Shareholder	**Nature of Interest**	**Number of the Shares**	**Approximate percentage of interest in the Company**	**Number of Shares**	**Approximate percentage of interest in the Company**
GYMCL	Beneficial owner	800,000,000	93.46%	**[REDACTED]**	**[REDACTED]**%
	Interest of concert parties[11]	56,000,000	6.54%	**[REDACTED]**	**[REDACTED]**%
CYI[2]	Interest in controlled corporations	856,000,000	100%	**[REDACTED]**	**[REDACTED]**%
HLA[3]	Interest in controlled corporations	856,000,000	100%	**[REDACTED]**	**[REDACTED]**%
HLCH[4]	Interest in controlled corporations	856,000,000	100%	**[REDACTED]**	**[REDACTED]**%
HLIH[5]	Interest in controlled corporations	856,000,000	100%	**[REDACTED]**	**[REDACTED]**%
Davos Investment Holdings Private Limited[6]	Interest in controlled corporations	856,000,000	100%	**[REDACTED]**	**[REDACTED]**%
Mr. Kwek Leng Kee[7]	Interest in controlled corporations	856,000,000	100%	**[REDACTED]**	**[REDACTED]**%
Yulin Changyingjia	Beneficial owner[8]	36,743,244	4.29%	**[REDACTED]**	**[REDACTED]**%
	Interest of concert parties[11]	819,256,756	95.71%	**[REDACTED]**	**[REDACTED]**%
Yulin Dayingjia	Beneficial owner[9]	14,324,324	1.67%	**[REDACTED]**	**[REDACTED]**%
	Interest of concert parties[11]	841,675,676	98.33%	**[REDACTED]**	**[REDACTED]**%
Yulin Zhongli	Beneficial owner[10]	4,932,432	0.58%	**[REDACTED]**	**[REDACTED]**%
	Interest of concert parties[11]	851,067,568	99.42%	**[REDACTED]**	**[REDACTED]**%
Mr. Ning	Interest in controlled corporations[12]	36,743,244	4.29%	**[REDACTED]**	**[REDACTED]**%
	Interest of concert parties	819,256,756	95.71%	**[REDACTED]**	**[REDACTED]**%
Mr. Yi Jianing (易加寧)	Interest in controlled corporations[13]	4,932,432	0.58%	**[REDACTED]**	**[REDACTED]**%
	Interest of concert parties	851,067,568	99.42%	**[REDACTED]**	**[REDACTED]**%
Mr. Chen	Interest in controlled corporations[14]	14,324,324	1.67%	**[REDACTED]**	**[REDACTED]**%
	Interest of concert parties	841,675,676	98.33%	**[REDACTED]**	**[REDACTED]**%

Notes:

(1) All interests are long positions.

(2) As of the Latest Practicable Date, CYI indirectly held 76.41% of GYMCL through its six wholly-owned subsidiaries: (i) HLTS which held approximately 22.26% of equity interest of GYMCL; (ii) Earnest Assets which held approximately 21.44% of equity interest of GYMCL; (iii) Cathay Diesel Holdings which held approximately 12.64% of GYMCL; (iv) Tsang & Ong which held approximately 12.64% of equity interest of GYMCL; (v) GSGH which held approximately 5.22% of GYMCL; and (vi) Youngstar which held approximately 2.20% of GYMCL. Therefore, through its controlled corporations, CYI is deemed to be interested in 856,000,000 Shares held or controlled by GYMCL for the purpose of the SFO.

(3) As of the Latest Practicable Date, HLA beneficially owned 48.70% of the ordinary shares and a special share of CYI that entitles HLA to elect a majority of directors in CYI through its wholly-owned subsidiaries: (i) Hong Leong (China) Limited which in turns wholly owns HL Technology Systems Pte. Ltd. HL Technology Systems Pte. Ltd. owns 25.38% of CYI and is the registered holder of the special share; (ii) Well Summit Investments Limited which holds 23.32% of CYI.

(4) As of the Latest Practicable Date, HLA was directly and indirectly owned as to 70.52% by HLCH, being held by HLCH as to 68.79% directly and as to 1.73% indirectly through Starich Investments, a wholly-owned subsidiary of HLCH. Accordingly, HLCH is the holding company of HLA.

(5) As of the Latest Practicable Date, Hong Leong Corporation Holding Pte. Ltd. was in turn directly and indirectly 100% owned by HLIH, being held by HLIH as to 73.20% directly and as to 26.80% indirectly through HLE, a wholly-owned subsidiary of HLIH. Accordingly, HLIH is the ultimate holding company of HLA.

(6) Davos Investment Holdings Private Limited is deemed under SFO to have interests in the shares held indirectly by HLIH, in which it is entitled to control the exercise of not less than one-third of the voting shares in HLIH. Therefore, through the controlled corporations, Davos Investment Holdings Private Limited is deemed to be interested in 856,000,000 Shares held or controlled by GYMCL for the purpose of the SFO.

(7) Mr. Kwek Leng Kee is deemed under SFO to have interest in the shares held by Davos Investment Holdings Private Limited, which is entitled to control the exercise of not less than one-third of the voting shares in HLIH. Therefore, through the controlled corporations, Mr. Kwek Leng Kee is deemed to be interested in 856,000,000 Shares held or controlled by GYMCL for the purpose of the SFO.

(8) Yulin Changyingjia is a limited partnership under the laws of the PRC. As of the Latest Practicable Date, Yulin Changyingjia was operated and represented by its executive partner, Mr. Ning, who is also an executive Director of our Company.

(9) Yulin Dayingjia is a limited partnership under the laws of the PRC. As of the Latest Practicable Date, Yulin Dayingjia was operated and represented by its executive partner, Mr. Chen.

(10) Yulin Zhongli is a limited partnership under the laws of the PRC. As of the Latest Practicable Date, Yulin Zhongli was operated and represented by its executive partner, Mr. Yi Jianing (易加寧).

(11) Since the introduction of Limited Partnership Platforms as shareholders of our Company through capital increase in June 2024, the Limited Partnership Platforms and GYMCL have been acting in concert with each other based on the terms under their respective partnership agreements, in which the Limited Partnership Platforms shall act in concert with GYMCL and exercise the same manifestation of intent as GYMCL when exercising its voting rights in our Company.

As of the Latest Practicable Date, the legal representative of GYMCL was Mr Li Han Yang, who is responsible for managing GYMCL and voting on its behalf. Accordingly, under the acting-in-concert arrangement, the Limited Partnership Platforms shall vote in line with GYMCL.

(12) Pursuant to the acting in concert arrangement among Yulin Changyingjia, Yulin Dayingjia, Yulin Zhongli and GYMCL, Mr. Ning, as the executive partner of Yulin Changyingjia, is deemed to be interested in 36,743,244 shares as interest in controlled corporations and 819,256,756 shares as interest of concert parties for the purpose of the SFO.

(13) Pursuant to the acting in concert arrangement among Yulin Changyingjia, Yulin Dayingjia, Yulin Zhongli and GYMCL, Mr. Yi Jianing (易加寧), as the executive partner of Yulin Zhongli, is deemed to be interested in 4,932,432 shares as interest in controlled corporations and 851,067,568 shares as interest of concert parties for the purpose of the SFO.

(14) Pursuant to the acting in concert arrangement among Yulin Changyingjia, Yulin Dayingjia, Yulin Zhongli and GYMCL, Mr. Chen, as the executive partner of Yulin Dayingjia, is deemed to be interested in 14,324,324 shares as interest in controlled corporations and 841,675,676 shares as interest of concert parties for the purpose of the SFO.

Save as disclosed above, the Directors are not aware of any other person who will, immediately following the **[REDACTED]** (and the **[REDACTED]** of any additional H Shares pursuant to the **[REDACTED]**), have an interest or short position in Shares or underlying Shares of the Company, which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

BEFORE THE COMPLETION OF THE [REDACTED]

As of the Latest Practicable Date, the registered capital of our Company was RMB856,000,000 comprising 856,000,000 Unlisted Shares with a nominal value of RMB1.00 each.

IMMEDIATELY FOLLOWING THE COMPLETION OF THE [REDACTED]

Immediately following the **[REDACTED]** and conversion of Unlisted Shares into H Shares, assuming no exercise of the **[REDACTED]**, the issued share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage of the total share capital of our Company
H Shares to be converted from Unlisted Shares[(1)]	**[REDACTED]**	**[REDACTED]**%
H Shares to be **[REDACTED]** under the **[REDACTED]**	**[REDACTED]**	**[REDACTED]**%
Total	**[REDACTED]**	100.00%

Immediately following the completion of the **[REDACTED]** and the conversion of certain Unlisted Shares into H Shares, assuming the **[REDACTED]** is fully exercised, the issued share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage of the total share capital
H Shares to be converted from Unlisted Shares[(1)]	**[REDACTED]**	**[REDACTED]**%
H Shares to be **[REDACTED]** under the **[REDACTED]**	**[REDACTED]**	**[REDACTED]**%
Total	**[REDACTED]**	100.00%

Notes:

(1) Immediately following the completion of the **[REDACTED]** and according to the notification on completion of filing procedures issued by the CSRC on [●] 2026, **[REDACTED]** Unlisted Shares will be converted into H Shares on a one-for-one basis and **[REDACTED]** on the Stock Exchange for **[REDACTED]**.

OUR SHARES

Apart from certain qualified domestic institutional **[REDACTED]** in the PRC, qualified PRC **[REDACTED]** under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and other persons entitled to hold H Shares pursuant to the relevant PRC laws and regulations or upon approval by any competent authorities, H Shares generally may not be **[REDACTED]** for by, or **[REDACTED]** between, **[REDACTED]** of the PRC. H Shares may only be **[REDACTED]** for and **[REDACTED]** in Hong Kong dollars.

Dividends in respect of our Shares may be paid by us in Hong Kong dollars or Renminbi, as the case may be. In addition to cash, dividends may be distributed in the form of Shares.

CONVERSION OF OUR UNLISTED SHARES INTO H SHARES

According to the regulations issued by the CSRC and our Articles of Association, the holders of our Unlisted Shares may, at their own option, authorize us to file to the CSRC for conversion of their respective Unlisted Shares to H Shares, and such converted Shares may be **[REDACTED]** and

[REDACTED] on an overseas stock exchange provided that the conversion, **[REDACTED]** and **[REDACTED]** of such converted Shares have completed the filing procedures with securities regulatory authorities, including the CSRC. Additionally, such conversion, **[REDACTED]** and **[REDACTED]** shall meet any requirement of internal approval process and in all respects comply with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

If any of the Unlisted Shares are to be converted, **[REDACTED]** and **[REDACTED]** as H Shares on the Stock Exchange, the filing with the relevant PRC regulatory authorities, including the CSRC, and the approval of the Stock Exchange are necessary for such conversion. Based on the procedures for the conversion of Unlisted Shares into H Shares as set out below, we will apply for the **[REDACTED]** of all or any portion of the Unlisted Shares on the Stock Exchange as H Shares in advance of any proposed conversion after the **[REDACTED]** to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of Shares for entry on the **[REDACTED]**. As the **[REDACTED]** of additional Shares after the **[REDACTED]** on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for **[REDACTED]** at the time of our **[REDACTED]** in Hong Kong. No Shareholder voting is required for the conversion of such Shares or the **[REDACTED]** and **[REDACTED]** of such converted Shares on an overseas stock exchange. Any application for **[REDACTED]** of the converted shares on the Stock Exchange after our **[REDACTED]** is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

After all the requisite approvals have been obtained/filings have been completed, the relevant Unlisted Shares will be withdrawn from the Unlisted Share register, and we will re-register such Shares on the **[REDACTED]** maintained in Hong Kong and instruct the **[REDACTED]** to issue **[REDACTED]**. Registration on the **[REDACTED]** of our Company will be on the conditions that (i) the **[REDACTED]** lodges with the Stock Exchange a letter confirming the entry of the relevant H Shares on the **[REDACTED]** and the due dispatch of **[REDACTED]**; and (ii) the admission of the H Shares to be **[REDACTED]** on the Stock Exchange complies with the Listing Rules and the General Rules of **[REDACTED]** and the **[REDACTED]** Operational Procedures in force from time to time.

Until the converted Shares are re-registered on the **[REDACTED]** of our Company, such Shares would not be **[REDACTED]** as H Shares. Below set forth the details of our existing Shareholders' proposed conversion of Unlisted Shares into H Shares:

Shareholders who intend to convert their Shares into H Shares	**Number of Converted Shares**	**Percentage of shareholding immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)**
GYMCL	**[REDACTED]**	**[REDACTED]**%
Yulin Changyingjia	**[REDACTED]**	**[REDACTED]**%
Yulin Dayingjia	**[REDACTED]**	**[REDACTED]**%
Yulin Zhongli	**[REDACTED]**	**[REDACTED]**%
Total	**[REDACTED]**	**[REDACTED]**%

RESTRICTION ON SHARE TRANSFER

In accordance with the PRC Company Law, the shares issued prior to any **[REDACTED]** of shares by a company cannot be transferred within one year from the date on which such **[REDACTED]** shares are **[REDACTED]** and **[REDACTED]** on the relevant stock exchange. As such, the Shares issued by our Company prior to the **[REDACTED]** will be subject to such statutory restriction on transfer within a period of one year from the **[REDACTED]**.

Our Directors and members of the senior management of the Company shall declare their shareholdings in the Company and any changes in their shareholdings. Shares transferred by our Directors, and members of the senior management each year during their term of office as determined when they assume the posts shall not exceed 25% of their total respective shareholdings in our Company. The Shares that the aforementioned persons held in our Company cannot be transferred within one year from the date on which the Shares are **[REDACTED]** and **[REDACTED]**, nor within half a year after they leave their positions in our Company. The Articles of Association may contain other restrictions on the transfer of the Shares held by our Directors and members of senior management of our Company.

REGISTRATION OF SHARES NOT LISTED ON THE OVERSEAS STOCK EXCHANGE

According to the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-Share Listed Companies (H股公司境內未上市股份申請"全流通"業務指引) announced by the CSRC, the domestic shareholders of our Shares shall handle share transfer registration business in accordance with the relevant business rules of the China Securities Depository and Clearing Corporation Limited. Further, H-share companies should submit the relevant status reports to the CSRC within 15 days after the transfer registration with the China Securities Depository and Clearing Corporation Limited of such shares involved in the application is completed.

CIRCUMSTANCES UNDER WHICH A GENERAL MEETING IS REQUIRED

For details of circumstances under which a Shareholders' general meeting is required, see "Summary of Articles of Association" in Appendix III to this document.

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.

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.

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.

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	% of Revenue	RMB'000	% of Revenue
							(unaudited)			
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.

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.

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

	FY2023	FY2024	FY2025	1H2025	1H2026
			(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:

	FY2023	FY2024	FY2025	1H2025	1H2026
			(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.

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**

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 (unaudited)	%	RMB'000	%
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 (unaudited)	%	RMB'000	%
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.

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 (unaudited)	%	RMB'000	%
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**

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.

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.

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

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.

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.

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.

- *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

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

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.

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

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.

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.

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**

	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**

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

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.

	FY2023	FY2024	FY2025	1H2026
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.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
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	**1,311,197**	**1,509,135**	**2,078,698**	**2,510,005**

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

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.

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**

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.

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.

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**

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.

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.

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.

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.

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.

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.

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.

	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%.

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					
Sales of products and rendering of services					
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
Revenue from leases with related parties (as lessor)					
GYMCL Related Parties	50	15,327	19,692	9,065	5,492
Our Purchase from the Related Parties					
Purchase of products and receipt of services					
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
Payment for leases with related parties (as lessee)					
GY Entities	2,363	2,363	2,630	323	2,081
GYMCL Related Parties	27,571	28,603	30,150	—	2,217
Purchases of equipment and technology know-how					
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.

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.

FUTURE PLANS

See "Business — Our Strategies" in this document for a detailed description of our future plans.

[REDACTED]

We estimate that we will receive **[REDACTED]** from the **[REDACTED]** of approximately HK$**[REDACTED]** (after deducting the **[REDACTED]** fees and **[REDACTED]** and estimated expenses payable by us in connection with the **[REDACTED]**, and assuming the **[REDACTED]** of HK$**[REDACTED]** per Share, being the mid-point of the **[REDACTED]** of the **[REDACTED]** of HK$**[REDACTED]** to HK$**[REDACTED]** per Share and assuming the **[REDACTED]** is not exercised).

We intend to use the **[REDACTED]** that we will receive from **[REDACTED]** for the following purposes:

1. Approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]**, will be allocated to the construction of new production plants for additional two machining lines and two assembly and testing lines, which are intended to produce medium-speed and high-power, high-speed engines, and to the procurement of essential machinery. This investment is intended to meet the production needs of our new products and to support the anticipated growth in demand for our new engine series. The new production plants will be located in Yulin city, with site selection criteria requiring flat industrial land with an area greater than 150,000 sq.m. The two assembly and testing lines are expected to have an annual production capacity of approximately 300 to 400 units for medium-speed engines and 1,200 to 1,500 units for high-power, high-speed engines respectively. See "Business — Production — Production Facilities" for further details on the assumption of production capacity.

   The new high-power, high-speed series represents a continued upgrade of our existing product series, with improvements across key performance indicators. We aim to further expand our product offering to include 1,800 r/min 60Hz models targeting data center and distributed power station applications. The development of 1,800 r/min 60Hz models will enable us to further explore the overseas markets with 60Hz grid frequency such as the United States, Canada, Japan and South Korea, countries of which also have substantial demand for power generator sets. According to Frost & Sullivan, driven by the robust demand from downstream applications such as data centers, distributed power stations and infrastructure, and supported by the ongoing technological upgrades, the global power generator engine market is expanding rapidly. In particular, the market grew from RMB48.0 billion in 2021 to RMB66.9 billion in 2025 in terms of revenue, representing a CAGR of 8.7%. The global power generator engine market is expected to reach RMB159.6 billion of revenue by 2030, representing a CAGR of 19.0% from 2025 to 2030, while revenue from the data center segment and distributed power stations segment are projected to reach RMB107.3 billion and RMB13.8 billion by 2030, respectively, representing a CAGR of 22.9% and 12.7% over the corresponding period, respectively.

   The new medium-speed engine series will operate at a rated speed of 600 to 800 r/min, and is applicable to both marine and power generation applications. For marine applications, while our existing high-speed engines serve vessels under 10,000 tonnes, the medium-speed series can power larger vessels of 10,000 to 20,000 tonnes or above. For power generation applications, the medium-speed series is capable of burning heavy fuel oil and operates with lower vibration and noise, making it suitable for heavy oil power stations. The medium- and high-speed marine engine market is exhibiting strong momentum. According to Frost & Sullivan, the market size increased from approximately RMB2.3 billion in 2021 to RMB5.4 billion in 2025, representing a CAGR of 23.5%, and is projected to reach RMB7.7 billion by

2030, reflecting a forecast CAGR of 7.5% from 2025 to 2030. Supported by steady global trade and deepening decarbonization policies, medium- and high-speed marine power systems are poised for a new wave of technological upgrades and product iteration.

Accordingly, we believe there will be sufficient demand for our products to support our expansion plans. By expanding our production capabilities in these segments, we aim to capture new market opportunities, leveraging the growing demand, and reinforce our market leading position within the industry.

In particular:

a. approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]**, will be used for the construction of machining lines which are intended to produce high-power, high- speed engines for power generation and marine propulsion. Among HK$**[REDACTED]**, approximately HK$**[REDACTED]** will be used for the acquisition or rental of new production premises; approximately HK$**[REDACTED]** will be used for the construction of production plant, machining lines and ancillary facilities including warehouse and factory office; approximately HK$**[REDACTED]** will be used for the purchase of equipment and machinery; approximately HK$**[REDACTED]** will be used for recruitment of production and technical staff and employee training; approximately HK$**[REDACTED]** and HK$**[REDACTED]** will be used for material purchase and operating expense respectively;

b. approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]**, will be used for the construction of assembly and testing lines which are intended to produce high- power, high-speed engines for power generation and marine propulsion. Among HK$**[REDACTED]**, approximately HK$**[REDACTED]** will be used for the acquisition or rental of new production premises; approximately HK$**[REDACTED]** will be used for the construction of production plant, machining lines and ancillary facilities including warehouse and factory office; approximately HK$**[REDACTED]** will be used for the purchase of equipment and machinery; approximately HK$**[REDACTED]** will be used for recruitment of production and technical staff and employee training; approximately HK$**[REDACTED]** and HK$**[REDACTED]** will be used for material purchase and operating expense respectively;

c. approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]**, will be used for the construction of machining lines which are intended to produce medium-speed engines for power generation and marine propulsion. Among HK$**[REDACTED]**, approximately HK$**[REDACTED]** will be used for the acquisition or rental of new production premises; approximately HK$**[REDACTED]** will be used for the construction of production plant, machining lines and ancillary facilities including warehouse and factory office; approximately HK$**[REDACTED]** will be used for the purchase of equipment and machinery; approximately HK$**[REDACTED]** will be used for recruitment of production and technical staff and employee training; approximately HK$**[REDACTED]** and HK$**[REDACTED]** will be used for material purchase and operating expense respectively; and

d. approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]**, will be used for the construction of assembly and testing lines which are intended to produce medium-speed engines for power generation and marine propulsion. Among HK$**[REDACTED]**, approximately HK$**[REDACTED]** will be used for the acquisition or rental of new production premises; approximately HK$**[REDACTED]** will be used for the construction of production plant, assembly and testing lines and ancillary facilities including warehouse and factory office; approximately HK$**[REDACTED]**

will be used for the purchase of equipment and machinery; approximately HK$**[REDACTED]** will be used for recruitment of production and technical staff and employee training; approximately HK$**[REDACTED]** and HK$**[REDACTED]** will be used for material purchase and operating expense respectively.

The new machining lines and assembly and testing lines will enable the adoption of advanced manufacturing technologies such as ductile iron machining technology to achieve tight geometric accuracy and use of robots to increase the automation level in the assembly line, enhance product quality and further strengthen our competitive position. The essential machinery we plan to purchase for the two machining lines primarily include: (i) 22 five-axis machining centers and 7 gantry machining centers which are used for the machining of the engine component including cylinder block and cylinder head; (ii) 8 cleaning machines for the cleaning and final rinse of the engine component during the production process; (iii) 2 coordinate measuring machines used for the inspection of dimensional accuracy of machined components. The essential machinery we plan to purchase for the two assembly and testing lines primarily include: 12 engine test benches which are used to verify and test key performance indicators of an assembled engine under firing condition and 20 engine assembly equipment used to assemble major components into complete engine and 12 coating equipment for automatic engine painting.

The construction of the two machining lines and two assembly and testing lines requires approximately six months for land acquisition/leasing, approximately two years and six months for plant construction, layout design, equipment tendering and procurement, personnel recruitment (among which plant construction takes approximately one year and certain imported equipment has a production cycle of more than two years), and approximately one year for equipment commissioning and trial production. Accordingly, the new production lines are expected to be completed and become operational in or before 2031. The following sets out the estimated timeline of our investment in the respective machining lines and assembly and testing lines:

	1H2027	2H2027	1H2028	2H2028	1H2029	2H2029	1H2030	2H2030	1H2031	Total
	(HK$ in million)									
Machining line for high-power, high-speed engines	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Assembly and testing line for high-power, high-speed engines	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Machining line for medium-speed engines	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Assembly and testing line for medium-speed engines	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

2. approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]**, will be used for the enhancement of existing product series and research and development of four new product series of large engines, comprising one new series for high-power, high-speed engines (which is expected to be commercialized in the second half of 2027), and three new series for medium-speed engine (which are expected to be commercialized between second half of 2028 to second half of 2030). According to Frost & Sullivan, the global power generator engine market is evolving and upgrading toward heavy-duty and large engine applications characterized by higher efficiency and greater intelligence, in order to meet the heightened demands for power and reliability in various scenarios including data center, distributed power station and marine applications. Hence, continued research and

development is essential for us to further strengthen our technical capabilities and expand our product portfolio to better meet evolving market demands and the needs of our customers across different industries. Specifically:

a. approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]**, will be used for the research and development of one new product series for high-power, high-speed engines which engines shall have power output ranging from 800 kW to 5,400 kW, and three new product series for medium-speed engines, which engines shall have power output ranging from 2,250 kW to 7,500 kW, 1,500 kW to 3,000 kW, and 4,000 kW to 12,400 kW, respectively. Among HK$**[REDACTED]**, approximately HK$**[REDACTED]** will be used for recruitment of R&D personnel and fees for external expert consultants; approximately HK$**[REDACTED]** will be used for R&D equipment, software, materials, and components; approximately HK$**[REDACTED]** will be used for engine testing, verification, and certification expenses; approximately HK$**[REDACTED]** will be used for intellectual property and technical cooperation expenses; and approximately HK$**[REDACTED]** will be used for R&D premises, ancillary expenses and contingency reserves; and

b. approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]**, will be used for the development and further enhancement of existing product series. Among HK$**[REDACTED]**, approximately HK$**[REDACTED]** will be used for recruitment of R&D personnel and fees for external expert consultants; approximately HK$**[REDACTED]** will be used for R&D equipment, software, materials, and components; approximately HK$**[REDACTED]** will be used for engine testing, verification, and certification expenses; approximately HK$**[REDACTED]** will be used for intellectual property and technical cooperation expenses; and approximately HK$**[REDACTED]** will be used for R&D premises, ancillary expenses and contingency reserves.

These product series are designed to serve both power generation and marine propulsion applications, and are compatible with a wide range of fuel types, including traditional diesel as well as new energy sources such as natural gas, biogas, methanol and hydrogen. According to Frost & Sullivan, there is increasing adoption in new energy fueled power generator engines across multiple application scenarios including data center, distributed power stations, infrastructure construction, and medium- and high-speed marine engines, which is expected to broaden use cases and support continued market expansion. Through these investments, we aim to enhance our competitiveness in both conventional and emerging energy markets by broadening our product portfolio to meet the evolving demand for heavy-duty and large engines, drive sustainable growth, close the gap above the previous product ceiling, and deliver long-term value to our shareholders.

The R&D and production of new products may face compliance risks and uncertainties in technology pathways arising from increasingly stringent environmental regulations and decarbonization policies in PRC (including the Medium- and Long-Term Plan for the Hydrogen Industry Development (2021–2035) (《氫能產業發展中長期規劃(2021–2035年)》) and the 14th Five-Year Plan for Industrial Green Development (《"十四五"工業綠色發展規劃》)) and globally, potentially resulting in increased research and development costs and restricted market access. To address these risks, R&D department of the Company conducts and will continue to conduct forward-looking research and development to ensure that product designs comply with current and anticipated regulatory requirements; meanwhile, it is establishing diverse fuel technology pathways to flexibly adapt to regulatory changes. As the new product series are compatible with a wide range of fuel types, including new energy sources, our Directors are of the view that PRC and/or global regulatory developments will not have a material impact on the feasibility, commercial prospects or demand for these new product series.

3. approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]**, will be used for strategic investments in, or acquisitions of, business opportunities in companies or entering into joint venture with companies within our core component supply chain. This includes, but is not limited to, investing in, entering into joint venture with, or acquiring companies capable of manufacturing low-speed finished engine and/or components such as alternators, crankshafts, and turbochargers, with the objective of further strengthening and completing our core component supply chain, generating synergies to reduce production costs, and enhancing product quality and overall competitiveness.

   In evaluating potential investment, joint venture or acquisition opportunities, we will primarily consider: (i) synergy with our existing business, with priority given to upstream component suppliers where there are supply bottlenecks or where such suppliers have strong bargaining power, as acquiring such targets would mitigate supply chain risks and secure access to critical components, and we will also prioritize direct or indirect suppliers to the Company whose component quality has been validated by us; (ii) the target's product portfolio, with a focus on targets whose key technologies are self-developed and who possess the technical capability to continuously upgrade and iterate their products; (iii) the target's market share of the relevant products which shall not be less than 5%; (iv) business scale; (v) growth potential; (vi) financial condition; (vii) valuation; (viii) target's location, with priority given to companies headquartered in the PRC; and (ix) any potential tax or financial impact such investment or acquisition may have on us. According to Frost & Sullivan, there are around 50 available targets in PRC. As of the Latest Practicable Date, we had not identified any specific investment, joint venture or acquisition targets, nor had we entered into any definitive investment or acquisition agreements.

4. approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]**, will be used for working capital and general corporate purposes.

   The above allocation of the **[REDACTED]** will be adjusted on a pro rata basis in the event that the **[REDACTED]** is fixed below or above the mid-point of the **[REDACTED]**. Any additional **[REDACTED]** received from the exercise of **[REDACTED]** will also be allocated to the above purposes on a pro rata basis.

In the event that the **[REDACTED]** is set at the maximum **[REDACTED]** or the minimum **[REDACTED]** of the **[REDACTED], the [REDACTED]** of the **[REDACTED]** will increase or decrease by approximately HK$**[REDACTED]**, respectively, assuming the **[REDACTED]** is not exercised. The additional **[REDACTED]** that we would receive if the **[REDACTED]** is exercised in full would be (i) HK$**[REDACTED]** (assuming an **[REDACTED]** of HK$**[REDACTED]** per H Share, being the maximum **[REDACTED]**), (ii) HK$**[REDACTED]** (assuming an **[REDACTED]** of HK$**[REDACTED]** per H Share, being the mid-point of the **[REDACTED]**), and (iii) HK$**[REDACTED]** (assuming an **[REDACTED]** of HK$**[REDACTED]** per H Share, being the minimum **[REDACTED]**).

To the extent that the **[REDACTED]** from the **[REDACTED]** are not immediately used for the purposes described above or if we are unable to put into effect any part of our plan as intended, and to the extent permitted by the relevant laws and regulations, we will hold such funds in short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance or applicable laws and regulations in other jurisdictions). In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF GUANGXI YUCHAI MARINE AND GENSET POWER CO., LTD. AND CHINA MERCHANTS SECURITIES (HK) CO., LIMITED AND CHINA GALAXY INTERNATIONAL SECURITIES (HONG KONG) CO., LIMITED

Introduction

We report on the historical financial information of Guangxi Yuchai Marine and Genset Power Co., Ltd. (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages [●] to [●], which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2023, 2024 and 2025, and the six months ended 30 June 2026 (the "**Relevant Periods**"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2023, 2024 and 2025, and 30 June 2026, and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages [●] to [●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "**Document**") in connection with the **[REDACTED]** of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Reporting accountants' responsibility (continued)

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2023, 2024 and 2025, and the six months ended 30 June 2026, and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2025 and other explanatory information (the "**Interim Comparative Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [●] have been made.

Dividends

We refer to note 11 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

[●]
Certified Public Accountants
Hong Kong
[Date]

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December			Six months ended 30 June	
		2023	2024	2025	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
REVENUE	5	3,239,008	3,999,796	6,150,439	2,978,116	4,494,381
Cost of sales		(2,513,481)	(3,063,374)	(4,620,895)	(2,285,595)	(3,264,334)
Gross profit		725,527	936,422	1,529,544	692,521	1,230,047
Other income and gains	5	19,660	36,994	66,050	46,984	12,772
Research and development expenses		(211,962)	(285,472)	(362,368)	(176,651)	(188,636)
Selling and distribution expenses		(106,683)	(116,799)	(190,513)	(69,081)	(104,345)
Administrative expenses		(59,938)	(64,544)	(112,433)	(32,935)	(58,692)
Other expenses		(1,357)	(2,348)	(16,289)	(2,793)	(12,185)
Finance costs	7	(11,098)	(7,548)	(9,895)	(4,764)	(4,276)
Share of profits of a joint venture	16	75,060	86,112	102,775	57,047	83,104
PROFIT BEFORE TAX	6	429,209	582,817	1,006,871	510,328	957,789
Income tax expense	10	(33,328)	(47,001)	(129,714)	(62,709)	(131,462)
PROFIT FOR THE YEAR/ PERIOD		395,881	535,816	877,157	447,619	826,327
Attributable to:						
Owners of the parent		395,881	535,816	879,295	447,619	823,300
Non-controlling interests		—	—	(2,138)	—	3,027
		395,881	535,816	877,157	447,619	826,327
EARNING PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic and diluted (RMB)	12	0.49	0.65	0.98	0.52	0.96

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
OTHER COMPREHENSIVE (LOSS)/INCOME					
Other comprehensive (loss)/ income that will not be reclassified to profit or loss in subsequent periods:					
Financial assets at fair value through other comprehensive income:					
Changes in fair value	(2,310)	560	(1,405)	949	3,090
Income tax effect	426	(65)	211	(142)	(463)
	(1,884)	495	(1,194)	807	2,627
Net other comprehensive (loss)/ income that will not be reclassified to profit or loss in subsequent periods	(1,884)	495	(1,194)	807	2,627
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR/PERIOD, NET OF TAX	(1,884)	495	(1,194)	807	2,627
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/ PERIOD	393,997	536,311	875,963	448,426	828,954
Attributable to:					
Owners of the parent	393,997	536,311	878,101	448,426	825,927
Non-controlling interests	—	—	(2,138)	—	3,027
	393,997	536,311	875,963	448,426	828,954

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December			As at 30 June
		2023	2024	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	*13*	426,640	428,031	493,751	541,516
Intangible assets	*14*	92,834	102,481	92,969	89,149
Right-of-use assets	*15*	28,226	25	76,782	51,400
Investment in a joint venture	*16*	186,718	269,508	303,737	310,589
Deferred tax assets	*17*	20,313	10,526	22,367	34,325
Other non-current assets	*18*	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	*19*	1,311,197	1,509,135	2,078,698	2,510,005
Trade and bills receivables	*20*	1,022,541	1,574,247	2,446,874	3,825,748
Capitalized contract cost	*21*	12,545	—	—	—
Contract assets		—	—	17,212	—
Prepayments, other receivables and other assets	*22*	111,425	141,278	197,079	176,721
Cash and cash equivalents	*23*	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	*24*	1,502,908	2,229,566	3,501,977	4,263,067
Other payables and accruals	*25*	660,086	559,838	1,076,418	953,393
Interest-bearing bank and other borrowings	*26*	393,688	348,419	320,211	320,188
Tax payable		3,559	1,431	11,925	86,267
Lease liabilities	*15*	28,177	39	33,285	26,209
Provision	*27*	31,045	50,167	80,058	102,810
Total current liabilities		2,619,463	3,189,460	5,023,874	5,751,934

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)

	Notes	As at 31 December			As at 30 June
		2023	2024	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000
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	*15*	24	—	46,259	38,398
Deferred income	*28*	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
EQUITY					
Equity attributable to owners of the parent					
Paid-in capital	*29*	400,000	428,000	—	—
Share capital	*29*	—	—	856,000	856,000
Treasury shares	*29*	—	—	(61,724)	(61,724)
Reserves	*31*	915,655	1,312,420	1,348,290	2,177,154
		1,315,655	1,740,420	2,142,566	2,971,430
Non-controlling interests		—	—	65,991	74,976
Total equity		1,315,655	1,740,420	2,208,557	3,046,406

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent					
	Paid-in capital	Capital reserve*	Other reserve*	Statutory surplus reserve*	Retained profits*	Total equity
	RMB'000 (Note 29)	RMB'000 (Note 31)	RMB'000 (Note 31)	RMB'000 (Note 31)	RMB'000	RMB'000
At 1 January 2023	400,000	269,154	(530)	24,866	228,168	921,658
Profit for the year	—	—	—	—	395,881	395,881
Other comprehensive loss for the year:						
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	—	—	(1,884)	—	—	(1,884)
Total comprehensive income for the year	—	—	(1,884)	—	395,881	393,997
Appropriation to statutory surplus reserve	—	—	—	39,001	(39,001)	—
At 31 December 2023	400,000	269,154	(2,414)	63,867	585,048	1,315,655

Year ended 31 December 2024

	Attributable to owners of the parent						
	Paid-in capital	Capital reserve*	Share-based payment reserve*	Other reserve*	Statutory surplus reserve*	Retained profits*	Total equity
	RMB'000 (Note 29)	RMB'000 (Note 31)	RMB'000 (Note 30)	RMB'000 (Note 31)	RMB'000 (Note 31)	RMB'000	RMB'000
At 1 January 2024	400,000	269,154	—	(2,414)	63,867	585,048	1,315,655
Profit for the year	—	—	—	—	—	535,816	535,816
Other comprehensive income for the year:							
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	—	—	—	495	—	—	495
Total comprehensive income for the year	—	—	—	495	—	535,816	536,311
Dividends *(note 11)*	—	—	—	—	—	(200,000)	(200,000)
Capital contributions	28,000	54,880	—	—	—	—	82,880
Share-based payment expenses *(note 30)*	—	—	5,574	—	—	—	5,574
Appropriation to statutory surplus reserve	—	—	—	—	52,705	(52,705)	—
At 31 December 2024	428,000	324,034	5,574	(1,919)	116,572	868,159	1,740,420

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

Year ended 31 December 2025

	Attributable to owners of the parent										
	Paid-in capital	Share capital	Treasury shares	Capital reserve*	Share-based payment reserve*	Other reserve*	Statutory surplus reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000 (Note 29)	RMB'000 (Note 29)	RMB'000	RMB'000 (Note 31)	RMB'000 (Note 30)	RMB'000 (Note 31)	RMB'000 (Note 31)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2025	428,000	—	—	324,034	5,574	(1,919)	116,572	868,159	1,740,420	—	1,740,420
Profit for the year	—	—	—	—	—	—	—	879,295	879,295	(2,138)	877,157
Other comprehensive income for the year:											
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	—	—	—	—	—	(1,194)	—	—	(1,194)	—	(1,194)
Total comprehensive income for the year	—	—	—	—	—	(1,194)	—	879,295	878,101	(2,138)	875,963
Capital contribution from the non-controlling shareholder	—	—	—	—	—	—	—	—	—	6,250	6,250
Dividends *(note 11)*	—	—	—	—	—	—	—	(425,000)	(425,000)	—	(425,000)
Conversion into a joint stock limited liability company**	(428,000)	856,000	—	142,339	(6,489)	3,447	(119,229)	(448,068)	—	—	—
Consolidation of share incentive scheme related shareholding platforms under common control	—	—	(61,724)	—	—	—	—	—	(61,724)	61,879	155
Share-based payment expenses *(note 30)*	—	—	—	—	10,769	—	—	—	10,769	—	10,769
Appropriation to statutory surplus reserve	—	—	—	—	—	—	86,157	(86,157)	—	—	—
At 31 December 2025	—	856,000	(61,724)	466,373	9,854	334	83,500	788,229	2,142,566	65,991	2,208,557

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

Six months ended 30 June 2026

	Attributable to owners of the parent										
	Paid-in capital	Share capital	Treasury shares	Capital reserve*	Share-based payment reserve*	Other reserve*	Statutory surplus reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000 (Note 29)	RMB'000 (Note 29)	RMB'000	RMB'000 (Note 31)	RMB'000 (Note 30)	RMB'000 (Note 31)	RMB'000 (Note 31)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2026	—	856,000	(61,724)	466,373	9,854	334	83,500	788,229	2,142,566	65,991	2,208,557
Profit for the period	—	—	—	—	—	—	—	823,300	823,300	3,027	826,327
Other comprehensive income for the period:	—	—	—	—	—	—	—	—	—	—	—
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	—	—	—	—	—	2,627	—	—	2,627	—	2,627
Total comprehensive income for the period	—	—	—	—	—	2,627	—	823,300	825,927	3,027	828,954
Capital contribution from the non-controlling shareholder	—	—	—	—	—	—	—	—	—	6,250	6,250
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	(292)	(292)
Share-based payment expenses *(note 30)*	—	—	—	—	2,937	—	—	—	2,937	—	2,937
Share-based payment transactions (equity-settled)	—	—	—	—	3,732	—	—	(3,732)	—	—	—
At 30 June 2026	—	856,000	(61,724)	466,373	16,523	2,961	83,500	1,607,797	2,971,430	74,976	3,046,406

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

Six months ended 30 June 2025

	Attributable to owners of the parent										
	Paid-in capital	Share capital	Treasury shares	Capital reserve	Share-based payment reserve	Other reserve	Statutory surplus reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000 (Note 29)	RMB'000 (Note 29)	RMB'000	RMB'000 (Note 31)	RMB'000 (Note 30)	RMB'000 (Note 31)	RMB'000 (Note 31)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2025 (audited)	428,000	—	—	324,034	5,574	(1,919)	116,572	868,159	1,740,420	—	1,740,420
Profit for the period	—	—	—	—	—	—	—	447,619	447,619	—	447,619
Other comprehensive income for the period:											
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	—	—	—	—	—	807	—	—	807	—	807
Total comprehensive income for the period	—	—	—	—	—	807	—	447,619	448,426	—	448,426
Share-based payment expenses *(note 30)*	—	—	—	—	5,337	—	—	—	5,337	—	5,337
At 30 June 2025 (unaudited)	428,000	—	—	324,034	10,911	(1,112)	116,572	1,315,778	2,194,183	—	2,194,183

* These reserve accounts comprise the consolidated reserves of RMB915,655,000, RMB1,312,420,000 and RMB1,348,290,000 and RMB2,177,154,000 in the consolidated statements of financial position as at 31 December 2023, 2024 and 2025 and as at 30 June 2026, respectively.

** In December 2025, the Company was converted into a joint stock limited liability company with limited liability and the net assets of the Company were converted into 856,000,000 ordinary shares at RMB1.00 each. The excess of net assets converted over the nominal value of the ordinary shares was credited to the Company's capital reserve (note 31).

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December			Six months ended 30 June	
		2023	2024	2025	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		429,209	582,817	1,006,871	510,328	957,789
Adjustments for:						
Finance costs	*7*	11,098	7,548	9,895	4,764	4,276
Share of profits of a joint venture	*16*	(75,060)	(86,112)	(102,775)	(57,047)	(83,104)
Bank interest income	*5*	(11,511)	(12,749)	(16,131)	(6,071)	(2,331)
(Gain)/loss on disposal of items of property, plant and equipment	*6*	(818)	32	10	6	6
Gain on early termination of right-of-use assets		—	—	—	—	(1,763)
Foreign exchange difference, net	*5*	(105)	(1,263)	(1,250)	(2,312)	1,630
Write-down of inventories to net realisable value	*6*	5,934	9,882	30,596	12,631	12,332
Depreciation of property, plant and equipment	*6*	85,027	77,317	73,094	36,010	36,195
Amortisation of intangible assets	*6*	2,795	10,706	11,695	5,760	5,981
Depreciation of right-of-use assets	*6*	28,789	30,528	32,646	16,051	12,790
Impairment losses on property, plant and equipment	*6*	587	162	219	—	152
(Reversal of impairment losses)/ impairment losses on trade and bills receivables	*6*	(57)	828	14,817	1,962	10,134
Share-based payment expenses	*6*	—	5,574	10,769	5,337	2,937
		475,888	625,270	1,070,456	527,419	957,024
Increase in inventories		(80,415)	(204,499)	(605,512)	(300,484)	(442,387)
Increase in trade and bills receivables and contract assets		(276,136)	(552,039)	(906,061)	(1,195,636)	(1,368,706)
Decrease/(increase) in prepayments, other receivables and other assets		43,456	(17,200)	(66,269)	94,640	105,489
Decrease in capitalized contract cost		7,547	12,545	—	—	—
Increase in trade and bills payables		193,336	726,658	1,272,411	1,396,236	761,090
Increase/(decrease) in other payables and accruals		63,243	(125,617)	505,102	77,736	(112,169)
Increase/(decrease) in deferred income		16,410	8,388	22,992	11,474	(3,418)
Increase in provision		8,990	19,122	29,891	10,980	22,752
Cash generated from operations		452,319	492,628	1,323,010	622,365	(80,325)
Interest received		11,511	12,749	16,131	6,071	2,331
Income tax paid		(65,228)	(51,995)	(118,745)	(55,023)	(69,543)
Net cash flows generated from/ (used in) operating activities		398,602	453,382	1,220,396	573,413	(147,537)

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	Notes	Year ended 31 December			Six months ended 30 June	
		2023	2024	2025	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment		(40,181)	(96,149)	(145,649)	(51,546)	(62,472)
Proceeds from disposal of items of property, plant and equipment		1,784	32	—	—	2,462
Dividend received from investments in joint venture		—	—	73,899	73,899	—
Purchases of intangible assets		(581)	(2,307)	(2,183)	—	(2,161)
Net cash flows (used in)/generated from investing activities		(38,978)	(98,424)	(73,933)	22,353	(62,171)
CASH FLOWS FROM FINANCING ACTIVITIES						
New bank loans		556,661	346,634	335,550	300,000	300,000
Repayment of bank loans		(540,000)	(392,000)	(363,750)	(273,200)	(300,000)
Interest paid		(10,676)	(6,974)	(6,982)	(3,433)	(3,406)
Payment of **[REDACTED]** expenses		—	—	(1,636)	—	(10,134)
Capital contribution from shareholders	*29*	—	82,880	—	—	—
Dividends paid	*11*	—	(200,000)	(425,000)	—	—
Dividends paid to non-controlling interests	—	—	—	—	—	(11,304)
Principal portion of capital element of lease payments	*15(b)*	(30,336)	(30,966)	(32,819)	—	(1,473)
Contributions from non-controlling interests		—	—	6,250	—	6,250
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
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and cash equivalents as stated in the consolidated statements of financial position and the consolidated statements of cash flows	*23*	730,071	885,866	1,545,192	1,507,311	1,313,787

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December			As at 30 June
		2023	2024	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	*13*	426,633	428,028	478,457	516,211
Intangible assets	*14*	92,834	102,481	92,969	89,149
Right-of-use assets	*15*	28,226	25	65,267	40,180
Investment in subsidiaries		20,000	20,000	38,750	57,500
Investment in a joint venture	*16*	186,214	269,209	299,207	307,621
Deferred tax assets	*17*	18,759	9,052	15,081	23,184
Other non-current assets	*18*	9,042	33,581	51,819	27,870
Total non-current assets		781,708	862,376	1,041,550	1,061,715
CURRENT ASSETS					
Inventories	*19*	1,298,153	1,482,198	2,004,175	2,473,990
Trade and bills receivables	*20*	977,322	1,507,921	2,355,686	3,714,290
Capitalized contract cost	*21*	12,545	—	—	—
Contract assets		—	—	17,212	—
Prepayments, other receivables and other assets	*22*	111,128	140,433	194,487	176,246
Cash and cash equivalents	*23*	712,645	873,666	1,447,289	1,223,766
Total current assets		3,111,793	4,004,218	6,018,849	7,588,292
CURRENT LIABILITIES					
Trade and bills payables	*24*	1,487,775	2,193,202	3,447,689	4,191,244
Other payables and accruals	*25*	641,003	528,556	913,726	879,133
Interest-bearing bank and other borrowings	*26*	382,123	348,419	320,211	320,188
Tax payable		1,530	—	6,731	76,024
Lease liabilities	*15*	28,177	39	33,285	25,850
Provision	*27*	31,045	50,167	79,987	102,489
Total current liabilities		2,571,653	3,120,383	4,801,629	5,594,928
NET CURRENT ASSETS		540,140	883,835	1,217,220	1,993,364
TOTAL ASSETS LESS CURRENT LIABILITIES		1,321,848	1,746,211	2,258,770	3,055,079

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY (continued)

	Notes	As at 31 December			As at 30 June
		2023	2024	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT LIABILITIES					
Lease liabilities	*15*	24	—	34,266	26,578
Deferred income	*28*	16,410	24,798	47,790	44,372
Total non-current liabilities		16,434	24,798	82,056	70,950
Net assets		1,305,414	1,721,413	2,176,714	2,984,129
EQUITY					
Paid-in capital	*29*	400,000	428,000	—	—
Share capital	*29*	—	—	856,000	856,000
Reserves	*31*	905,414	1,293,413	1,320,714	2,128,129
Total equity		1,305,414	1,721,413	2,176,714	2,984,129

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the People's Republic of China ("PRC") on 10 January 2017 and was converted into a joint stock limited liability company on 31 December 2025. The registered office of the Company is located at No. 88 Tianqiao West Road, Yulin City, Guangxi Zhuang Autonomous Region, China.

The Company and its subsidiaries (collectively referred to as "the Group") are principally engaged in the research, development, manufacturing, sales, and servicing of marine propulsion and power generation products.

The Company's immediate parent entity is Guangxi Yuchai Machinery Co., Ltd. ("廣西玉柴機器股份有限公司" or "GYMCL"). GYMCL is controlled by China Yuchai International Co., Ltd. ("CYI"), a New York Stock Exchange listed company, which holds approximately 76.4% of its shares through six wholly-owned subsidiaries, and Guangxi Yuchai Machinery Group Co., Ltd. ("GY"), a state-owned enterprise, also holds approximately 22.7% of the shares of GYMCL.

The ultimate holding company of the Company is Hong Leong Asia Ltd., which is a listed company on Mainboard of the Singapore Stock Exchange.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, the particulars of the Company's principal subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Guangxi Yuchai Deyou Engine Systems Co., Ltd. ("廣西玉柴德優發動機系統有限公司" or "Yuchai Deyou")*	PRC/Chinese mainland 22 December 2021	RMB20,000,000	100%	—	Manufacture and sale of power generations, spare parts and after-sales services
Guangxi Yuchai Marine and Genset Power Solutions Co., Ltd ("廣西玉柴船電發電設備有限公司")**	PRC/Chinese mainland 10 July 2025	RMB50,000,000	75%	—	Manufacture and sale of power generations, spare parts and after-sales services

The English name of the above companies registered in the PRC represents the best efforts made by the directors of the Companies in directly translating the Chinese names of the companies as no English names have been registered.

* No audited financial statements have been prepared for the subsidiary since registration, as the entity was not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of registration.

** The statutory financial statements of the entity for the year ended 31 December 2025 prepared under PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Ernst & Young Hua Ming LLP ("安永華明會計師事務所(特殊普通合夥)"), certified public accountants registered in the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the Relevant Periods or formed a substantial portion of the net assets/liabilities of the Group at the end of each of the Relevant Periods.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2025, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention, except for certain portion of trade and bills receivables which have been measured at fair value.

The consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000), except when otherwise indicated.

Basis of consolidation

The Historical Financial Information includes the financial information of the Company and its subsidiaries for Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same relevant periods as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

The Group has not applied the following new and amended IFRS Accounting Standards, which have been issued but are not yet effective, in the Historical Financial Information. The Group intends to apply these new and amended IFRS Accounting Standards, if applicable, when they become effective.

IFRS 18	*Presentation and Disclosure in Financial Statements*[1]
IFRS 19 and its amendments	*Subsidiaries without Public Accountability: Disclosures*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IAS 21	*Translation to a Hyperinflationary Presentation Currency*[1]
Amendments to IAS 28	*Fair Value Option for Investments in Associates and Joint Venture*[1]
IFRS 20	*Regulatory Assets and Regulatory Liabilities*[3]

[1] Effective for annual/reporting periods beginning on or after 1 January 2027
[2] No mandatory effective date yet determined but available for adoption
[3] Effective for annual periods beginning on or after 1 January 2029

IFRS 18 replaces IAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as IAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 *Statement of Cash Flows*, IAS 33 *Earnings per Share* and IAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other IFRS Accounting Standards. IFRS 18 and the consequential amendments to other IFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required.

The Group is in the process of making an assessment of the impact of the new and amended IFRS Accounting Standards upon initial application. So far, the Group considers that these new and amended IFRS Accounting Standards, except for IFRS 18, may result in changes in accounting policies but will not have a significant impact on the Group's financial performance and financial position in the period of initial application. The application of IFRS 18 is not expected to have material impact on the financial position of the Group but is expected to affect the presentation of the statements of profit or loss and other comprehensive income and statement of cash flows and disclosures in the future financial information. The Group will continue to assess the impact of IFRS 18 on the Group's financial information.

2.3 MATERIAL ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Subsidiaries (continued)

The Historical Financial Information of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. The results of subsidiaries are included in the Company's profit or loss to the extent of dividend received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Investments in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognized directly in the equity of the joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's investments in the joint ventures, except where unrealized losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of joint ventures is included as part of the Group's investments in joint ventures.

Business combination under common control

On 7 September 2023 and 24 June 2024, GYMCL has set up Yulin Changyingjia Investment Partnership Enterprise (玉林長盈家投資合夥企業(有限合夥), "Yulin Changyingjia) and Yulin Zhongli Investment Partnership Enterprise (玉林衆利投資合夥企業(有限合夥), "Yulin Zhongli") separately, for the purpose of holding shares of the Company for the share incentive scheme adopted. On 31 December 2025, GYMCL transferred its authorities of management, decision-making and execution in respect of Yulin Changyingjia and Yulin Zhongli to the Company with no consideration ("Control Transfer"). Upon the completion of Control Transfer, the Company has the power to govern the financial and operating policies of Yulin Changyingjia and Yulin Zhongli and derives benefits from the services of the employees who have been awarded the shares through their continued employment with the Group. The assets and liabilities of Yulin Changyingjia and Yulin Zhongli are included in consolidated statement of financial position since the Control Transfer on 31 December 2025.

Since GYMCL is the Company's immediate parent entity before and after the completion of the aforesaid control Transfer, the business combination of Yulin Changyingjia and Yulin Zhongli has been accounted for in the consolidated financial statements of the Group as a business combination under common control using the pooling of interest method.

The financial information in the consolidated financial statements for the periods prior to the business combination under common control was not restated as the Company accounts for the business combination prospectively from the date on which it occurred. The assets and liabilities acquired are recognized at the carrying amounts.

Upon transfer of interest in an entity to another entity that is under common control, any difference between the Group's interest in the book values of the assets and liabilities and the cost of transfer of interest in the entity is recognized directly in equity.

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures its certain financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset at its highest and best use or by selling it to another market participant that would use the asset at its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for non-financial assets is required (other than inventories, contract assets, capitalized contract cost, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

  (vi) the entity is controlled or jointly controlled by a person identified in (a);

  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

  (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Categories	Estimated useful lives	Annual rates
Buildings	10–20 years	5% to 10%
Plant and machinery	1–13 years	8% to 99%
Office and other equipment	1–5 years	20% to 99%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each reporting period end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting period end.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Software

Purchased office software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 years.

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

Technology know-how

Purchased technology know-how is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 10 years.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	1 to 20 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) *Lease liabilities*

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (continued)

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of motor vehicles and buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

The Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease term and is included in revenue in the consolidated statements of profit or loss and other comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset.

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the statement of profit or loss when the asset is derecognized, modified or impaired.

Financial assets designated at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 1 year past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at the end of each of the Relevant Periods. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Initial recognition and measurement (continued)

The Group's financial liabilities include trade payables, financial liabilities included in other payables and accruals and other non-current liabilities, interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and other payables, loans and borrowings)

After initial recognition, interest-bearing loans, trade payables, and financial liabilities included in other payables and accruals and other non-current liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average method and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

General

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Product warranty

The Group recognizes a liability at the time the product is sold, for the estimated future costs relating to the assurance-type warranties, to be incurred under the warranty period, on which the Group provides free repair and replacement. Provisions for warranty are primarily determined based on historical warranty cost per unit of product sold adjusted for specific conditions that may arise and the number of products under warranty at each financial year. If the nature, frequency and average cost of warranty claims change, the accrued liability for product warranty will be adjusted accordingly.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries and joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(a) *Sale of products*

Revenue from sale of products, including engines, power generator sets and engine parts is recognized at the point in time when control of the products is transferred to the customer and all criteria for acceptance have been satisfied, generally on delivery of the products, or, in some cases, when the products are installed by the customers.

In determining the transaction price for the sale of products, the Group considers the effects of variable consideration and the existence of significant financing components. If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the products to the customer. The variable consideration is estimated at contract inception. Some contracts for the sale of engines provide customers with sales rebates based on the sales volume. The sales rebates give rise to variable consideration.

The Group enters into contractual arrangements to provide certain customers with sales rebates when the quantity of products purchased during the period exceeds a threshold specified in the contract, and the relevant revenue is recognized based on contract consideration net of the sales rebate. Based on contractual arrangement with the customers, the sales rebates are netted against "Trade receivables". If the receivables had been settled by the customers, amounts in excess of "Trade receivables" will be recognized as refund liabilities in "Other payables and accruals".

(b) *Warranty obligations*

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. warranties).

The Group typically provides warranties for general repairs of defects as part of the sale of engines. These assurance-type warranties are accounted for as warranty provisions. Certain contracts provide a customer with maintenance service, i.e. a distinct service to the customer in addition to the assurance that the product complies with agreed-upon specification. These service-type warranties are bundled together with the sale of engines. These contracts comprise two performance obligations, i.e. the promises to transfer the engines and to provide the service-type warranty. The transaction price is allocated to the service-type warranty and engines using, a combination of residual and observable price approach. The portion of transaction price allocated to the service-type warranty is initially recorded as a contract liability and recognized as revenue at the point in time when the service is provided.

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Principal versus agent

When another party is involved in providing power generator sets to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the power generator sets itself (i.e. the Group is a principal) or to arrange for those power generator sets to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the power generator set before the power generator sets are transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the power generator sets by another party. In this case, the Group is not the primary obligor and is not subject to inventory risk. The Group does not control the power generator sets provided by another party before the power generator sets are transferred to the customer. When the Group acts as an agent, it recognised revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified power generator sets to be provided by the other party.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Capitalized contract costs

The capitalized costs are costs which have been capitalized and directly related to the contracts, for which resources were used in satisfying the contract and are expected to be recovered.

The Group's capitalized contract costs are costs in fulfilling a contract for the development of technology know-how for engines platforms for its immediate parent entity, and subsequently recognized in profit or loss when the Group performs the contract and the related revenue is recognized.

Contract assets

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

Contract liabilities

A contract liability is recognized if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Share-based payments

The Group provided share incentives to employees. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees of the Group render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value of the share award is determined using the discounted cash flow model, further details of which are given in note 30 to the Historical Financial Information.

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Employee benefits

Pension scheme

The employees of the Group are required to participate in a central pension scheme operated by the local municipal government. The Group are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Housing fund and other social insurances

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group has no further obligations beyond the contributions made.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in the Historical Financial Information.

Identifying contract price and performance obligations in sales of engines and power generators

The Group applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

The Group provides certain warranties for both general repairs and maintenance services as part of the sales of engines and power generators. For general repairs, such warranties will be assurance-type warranty that is accounted for under IAS 37 *Provisions Contingent Liabilities and Contingent Assets*. For maintenance service, it is accounted for as a service-type warranty which is capable of being distinct and customers can benefit from the service on their own. Hence, the Group identify two separate performance obligations, one is the promise to transfer the products, and the other one is to provide maintenance services after reaching a certain running hour. Consequently, the Group allocates a portion of the transaction price to the products and the maintenance services based on a combination of a residual and observable price approach. Please refer to note 5 to the Historical Financial Information.

Derecognition of bills receivable

The Group sells bills receivable to banks on an ongoing basis depending on funding needs and money market conditions. The Group also endorses certain bills to suppliers for debts settlement. Chinese law governing bills allows recourse to be traced to all the parties in the discounting and endorsing process, Management assesses the credit rating of banks that issued these bills based on the credit rating given by the China regulators. For designated commercial banks with high credit rating and where Management believes that the contractual right to receive the cash from the Group has ceased, and has been transferred to the banks and suppliers, these bills are derecognized. The discount equal to the difference between the carrying value of the bill receivable and cash received from the banks is recorded in the statement of profit or loss. Please refer to note 35 to the Historical Financial Information.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on ageing for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 24 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group as a whole for the purpose of making decision on resources allocation and preformation assessment.

Geographical information

(a) *Revenue from external customers*

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Geographical market					
Chinese mainland	3,118,778	3,785,372	5,814,524	2,872,514	4,261,542
Overseas	120,230	214,424	335,915	105,602	232,839
Total	3,239,008	3,999,796	6,150,439	2,978,116	4,494,381

The revenue information of continuing operations above is based on the locations of the customers.

(b) *Non-current assets*

During the Relevant Periods and six months ended 30 June 2025, all of the Group's non-current assets were located in the Chinese mainland.

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue during the Relevant Periods and six months ended 30 June 2025 is set out below:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
GY and its subsidiaries *(note 34(a))*	708,393	539,418	N/A*	N/A*	N/A*
Customer A	N/A*	N/A*	1,269,896	459,798	1,004,973

* N/A represents revenue from customer which amounted to less than 10% of the Group's revenue.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue from contracts with customers	3,238,904	3,984,399	6,130,716	2,969,022	4,488,846
Rental income	104	15,397	19,723	9,094	5,535
Total	3,239,008	3,999,796	6,150,439	2,978,116	4,494,381

Revenue from contracts with customers

(i) ***Disaggregated revenue information***

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Types of goods or services					
Power generator engines	2,457,201	3,052,467	4,216,096	1,954,638	3,032,358
Marine propulsion and auxiliary engines	481,183	476,999	659,287	271,102	378,152
Power generator sets:					
Sale of products	112,374	103,017	345,105	236,376	580,542
Arrangement for provision of products	2,395	10,217	76,312	47,781	2,601
Engine components	124,776	293,791	799,440	455,168	476,717
Others	60,975	47,908	34,476	3,957	18,476
Total	3,238,904	3,984,399	6,130,716	2,969,022	4,488,846
Geographical markets					
Chinese mainland	3,118,674	3,769,975	5,794,801	2,863,420	4,256,007
Overseas	120,230	214,424	335,915	105,602	232,839
Total	3,238,904	3,984,399	6,130,716	2,969,022	4,488,846
Timing of revenue recognition					
Transferred at the point in time	3,238,904	3,984,399	6,130,716	2,969,022	4,488,846

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(i) ***Disaggregated revenue information (continued)***

The following table shows the amounts of revenue recognised in each of the Relevant Periods and the six months ended 30 June 2025 that were included in the contract liabilities at the beginning of the reporting period:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:					
Sale of goods	230,759	289,774	203,700	203,700	625,680
Rendering of services	446	411	6,133	3,962	2,673
Total	231,205	290,185	209,833	207,662	628,353

(ii) ***Performance obligations***

Information about the Group's performance obligations is summarised below:

Sales of engines and power generators

The performance obligation is satisfied upon delivery of the goods and acceptance by the customers. The credit term is generally 30 to 225 days. Sales of engines and power generators are generally satisfied within less than a year, and the Group has elected the practical expedient for not to disclose the remaining performance obligations.

Service-type warranty

The performance obligation is satisfied upon the maintenance services are rendered. These service-type warranties are bundled together with the sale of engines.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are as follows:

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year/period	879	788	5,324	3,738
More than one year/period	9,533	16,757	10,005	13,465
Total unfulfilled service-type maintenance service	10,412	17,545	15,329	17,203

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue relate to the unfulfilled service-type maintenance service. The amounts disclosed above do not include variable consideration which is constrained.

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(ii) ***Performance obligations (continued)***

An analysis of other income and gains is as follows:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	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*	3,026	21,876	47,832	38,441	8,453
Others	4,200	1,106	837	160	225
Total other Income	18,737	35,731	64,800	44,672	11,009
Gains					
Gain on disposal of property, plant and equipment	818	—	—	—	—
Gain on early termination of right-of-use assets	—	—	—	—	1,763
Foreign exchange gains, net	105	1,263	1,250	2,312	—
Total gains	923	1,263	1,250	2,312	1,763
Total other income and gains	19,660	36,994	66,050	46,984	12,772

* The government grants mainly represent incentives received from local governments for the purpose of compensation on research and development contribution, local economic contribution and purchases of items of property, plant and equipment. There are no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		Year ended 31 December			Six months ended 30 June	
		2023	2024	2025	2025	2026
	Notes	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cost of inventories sold *(a)*		2,461,662	2,965,893	4,467,188	2,227,048	3,189,000
Cost of services provided *(a)*		21,315	30,321	20,388	9,277	5,439
Depreciation of property, plant and equipment	*13*	85,027	77,317	73,094	36,010	36,195
Depreciation of right-of-use assets	*15*	28,789	30,528	32,646	16,051	12,790
Amortisation of intangible assets *(b)*	*14*	2,795	10,706	11,695	5,760	5,981
Research and development costs:						
Current year expenditure		211,962	285,472	362,368	176,651	188,636
Lease payments not included in the measurement of lease liabilities	*15*	5,867	1,852	6,507	1,610	4,133
[REDACTED] expenses		—	—	8,699	—	7,885
Employee benefit expenses (including directors' and chief executive's remuneration)	*8*					
Wages, salaries and other Allowances		164,219	173,686	259,951	128,426	169,687
Pension scheme contributions		19,095	18,035	19,480	9,580	11,633
Share-based payment expenses		—	5,574	10,769	5,337	2,937
Total		183,314	197,295	290,200	143,343	184,257
Foreign exchange loss		—	—	—	—	1,630
Impairment of trade receivables, net *(c)*	*20*	(57)	828	14,817	1,962	10,134
Impairment loss on property, plant and equipment *(c)*	*13*	587	162	219	—	152
Write-down of inventories to net realisable value		5,934	9,882	30,596	12,631	12,332
Product warranty provision: Additional provision	*27*	24,570	57,278	102,723	36,639	57,563
Loss on derecognition of financial assets measured at amortised cost *(c)*		652	1,328	1,241	825	149
(Gain)/loss on disposal of items of property, plant and equipment *(c)*		(818)	32	10	6	6

(a) The cost of inventories sold and cost of services provided include expenses relating to staff cost, depreciation and amortization expenses, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

(b) The amortisation of intangible assets is included in "Cost of sales", "Research and development expenses", "Selling and distribution expenses" or "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

(c) These amounts were included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income, excluding gain on disposal of items of property, plant and equipment which were included in "Other income and gains" in the consolidated statement of profit or loss and other comprehensive income.

7. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	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 *(note 15)*	432	478	2,921	1,589	893
Total	11,098	7,548	9,895	4,764	4,276

8. DIRECTORS' AND SUPERVISOR'S REMUNERATION

Directors' and chief executive's remuneration for the Relevant Periods and six months ended 30 June 2025, is as follows:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Fees	—	—	—	—	—
Other emoluments:					
Salaries, bonuses, allowances and benefits in kind	—	—	70	—	799
Performance related bonuses	3,720	6,420	3,212	—	—
Share-based payment expenses	—	3,003	5,799	2,876	382
Pension scheme contributions	—	—	3	—	56
Total	3,720	9,423	9,084	2,876	1,237

During the year ended 30 June 2026, restricted shares were granted to a director in respect to their services rendering to the Group, further details of which are set out in note 30 to the Historical Financial Information. The fair value of such granted restricted shares, which has been recognized in the statement of profit or loss, was determined as at the date of grant and the amount included in the Historical Financial Information is included in the above directors' remuneration disclosures.

(a) Independent non-executive directors

There were no fees and other emoluments paid to the independent non-executive directors during the Relevant Periods and six months ended 30 June 2025.

Mr. Fan Hao, Mr. Fan Conghui and Mr. Chan Ngai Fan are appointed as independent non-executive directors of the Company and their appointment will be conditional and effective upon the **[REDACTED]** of the Company's H shares on the Main Board of the Hong Kong Stock Exchange.

(b) Executive directors, non-executive directors and supervisors

Year ended 31 December 2023

	Fees	Salaries, bonuses, allowances and benefits in kind	Performance related bonuses	Share-based payment expenses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive director:						
Mr. Ning Xingyong *(i)*	—	—	3,720	—	—	3,720
Supervisor:						
Ms. Su Minghong *(ii)*	—	—	—	—	—	—
Total	—	—	3,720	—	—	3,720

8. DIRECTORS' AND SUPERVISOR'S REMUNERATION (continued)

(b) Executive directors, non-executive directors and supervisors (continued)

Year ended 31 December 2024

	Fees	Salaries, bonuses, allowances and benefits in kind	Performance related bonuses	Share-based payment expenses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive director:						
Mr. Ning Xingyong *(i)*	—	—	6,420	3,003	—	9,423
Supervisor:						
Ms. Su Minghong *(ii)(vi)*	—	—	—	—	—	—
Total	—	—	6,420	3,003	—	9,423

Year ended 31 December 2025

	Fees	Salaries, bonuses, allowances and benefits in kind	Performance related bonuses	Share-based payment expenses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:						
Mr. Ning Xingyong *(i)*	—	70	3,212	5,799	3	9,084
Mr. Lu Yuming *(iii)*	—	—	—	—	—	—
Dr. Huang Yongzhong *(iii)*	—	—	—	—	—	—
Subtotal	—	70	3,212	5,799	3	9,084
Non-executive director:						
Ms. Su Minghong *(ii)(vi)*	—	—	—	—	—	—
Mr. Chen Hai *(v)(vi)*	—	—	—	—	—	—
Subtotal	—	—	—	—	—	—
Total	—	70	3,212	5,799	3	9,084

* The Company had dissolved the supervisory committee from December 2025.

8. DIRECTORS' AND SUPERVISOR'S REMUNERATION (continued)

(b) Executive directors, non-executive directors and supervisors (continued)

Six months ended 30 June 2025 (unaudited)

	Fees	Salaries, bonuses, allowances and benefits in kind	Performance related bonuses	Share-based payment expenses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:						
Mr. Ning Xingyong *(i)*	—	—	—	2,876	—	2,876
Mr. Lu Yuming *(iii)*	—	—	—	—	—	—
Dr. Huang Yongzhong *(iii)*	—	—	—	—	—	—
Subtotal	—	—	—	2,876	—	2,876
Non-executive directors:						
Ms. Su Minghong *(ii)(vi)*	—	—	—	—	—	—
Mr. Chen Hai *(v)(vi)*	—	—	—	—	—	—
Subtotal	—	—	—	—	—	—
Total	—	—	—	2,876	—	2,876

Six months ended 30 June 2026

	Fees	Salaries, bonuses, allowances and benefits in kind	Performance related bonuses	Share-based payment expenses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:						
Mr. Ning Xingyong *(i)*	—	418	—	32	17	466
Mr. Lu Yuming *(iii)*	—	211	—	146	20	377
Dr. Huang Yongzhong *(iii)*	—	170	—	204	20	395
Subtotal	—	799	—	382	56	1,237
Non-executive directors:						
Ms. Su Minghong *(ii)(vi)*	—	—	—	—	—	—
Mr. Chen Hai *(v)(vi)*	—	—	—	—	—	—
Subtotal	—	—	—	—	—	—
Total	—	799	—	382	56	1,237

8. DIRECTORS' AND SUPERVISOR'S REMUNERATION (continued)

(b) Executive directors, non-executive directors and supervisors (continued)

(i) Mr. Ning Xingyong was appointed as an executive director of the Company since January 2022.

(ii) Ms. Su Minghong joined the Company in March 2022, served as a supervisor until December 2025, has been appointed a director of the Company in December 2025. She was re-designated as a non-executive director in January 2026.

(iii) Mr. Lu Yuming and Dr. Huang Yongzhong was appointed as a director of the Company in December 2025, and was re-designated as an executive director in January 2026.

(iv) Mr. Neo Poh Kiat was appointed as a non-executive director of the Company in January 2026.

(v) Mr. Chen Hai was appointed as a director of the Company in December 2025, and was re-designated as a non-executive Director in January 2026.

(vi) The emoluments of the Ms. Su Minghong in relation to her services rendered for the Group for the years ended 31 December 2024 and years ended 31 December 2025, and Mr. Chen Hai, in relation to his services rendered for the Group for the years ended 31 December 2025 were borne by related parties of the Group.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the years ended 31 December 2023, 2024 and 2025 and the six months ended 30 June 2025 and 2026, include 1, 1 and 1 and 0 and 2 directors respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining 4, 4 and 4 and 5 and 3 for the years ended 31 December 2023, 2024 and 2025 and six months ended 30 June 2025 and 2026 highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, bonuses, allowances and benefits in kind	926	975	1,051	1,310	1,016
Performance related bonuses	2,760	3,300	4,808	—	—
Equity-settled share-based payment expenses	—	695	1,362	—	53
Pension scheme contributions	111	117	123	55	54
Total	3,797	5,087	7,344	1,366	1,122

9. FIVE HIGHEST PAID EMPLOYEES (continued)

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
				(unaudited)	
Nil to HK$1,000,000	3	1	—	5	3
HK$1,000,001 to HK$1,500,000	1	2	2	—	—
HK$1,500,001 to HK$2,000,000	—	1	1	—	—
HK$2,000,001 to HK$2,500,000	—	—	1	—	—
Total	4	4	4	5	3

During the Relevant Periods and six months ended 30 June 2025, restricted shares were granted to non-directors and non-chief executives highest paid employees in respect of his services to the Group, further details of which are included in the disclosures in note 30 to the Historical Financial Information. The fair value of such shares, which has been recognized in profit or loss, was determined as at the date of grant and the amount included in the Historical Financial Information is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Chinese mainland

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "CIT Law"), the subsidiaries which operate in the Chinese mainland are subject to CIT at a rate of 25% on the taxable income, and the Company is subject to preferential tax as set out below.

(a) According to tax regulations related to Western Region Development Policy, the applicable income tax rate is 15% for the Company, and such tax concession was started on 1 January 2021, will expire on 31 December 2030.

(b) On 28 November 2024, the Company was recognized as a "High and New Technology Enterprise" ("HNTE") and enjoyed a preferential corporate income tax rate of 15% for the year ended 31 December 2024 and 2025.

Additional deduction for research and development expense

According to the announcement of the Ministry of Finance and the State Administration of Taxation on further improving the policy of pre-tax deduction of research and development expenses (No.7 in 2023), if the research and development expenses actually incurred in the research and development activities of enterprises do not form intangible assets and are included in the current profits and losses, on the basis of actual deduction according to regulations, from 1 January 2023, 100% of the actual amount incurred will be additionally deducted before tax; Intangible assets are amortized at 200% of the cost of intangible assets before tax from 1 January 2023.

10. INCOME TAX (continued)

Chinese mainland (continued)

Additional deduction for research and development expense (continued)

The income tax expense of the Group for the Relevant Periods and six months ended 30 June 2025 is analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current	33,911	37,279	141,344	74,327	143,883
Deferred *(Note 17)*	(583)	9,722	(11,630)	(11,618)	(12,421)
Total tax charge for the year/ period	33,328	47,001	129,714	62,709	131,462

A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before tax	429,209	582,817	1,006,871	510,328	957,789
Tax at the statutory tax rate	64,381	87,423	151,031	76,549	143,669
Adjustment for different tax rates of certain companies	769	1,106	1,872	1,079	6,008
Adjustments in respect of current tax of previous periods	(666)	(267)	18,646	3,709	8,139
Additional deduction of research and development expenses	(20,146)	(30,260)	(28,106)	(11,750)	(15,487)
Expenses not deductible for tax	249	1,448	1,856	1,679	1,645
Profits attributable to a joint venture	(11,259)	(12,449)	(15,585)	(8,557)	(12,512)
Tax charge at the Group's effective rate	33,328	47,001	129,714	62,709	131,462

11. DIVIDENDS

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Final dividend declared and paid (tax inclusive)	—	200,000	425,000	—	—

During the year ended 31 December 2024, a dividend of RMB200,000,000 was declared and paid by the Company to its then shareholders. During the year ended 31 December 2025, a dividend of RMB425,000,000 was declared and paid by the Company to its then shareholders.

No dividends were declared for year ended 31 December 2023 and the six months ended 30 June 2025 and 2026.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the profit attributable to the restricted share incentive scheme, and the weighted average number of ordinary shares in issue (excluding treasury shares) during the Relevant Periods.

The Company was converted into a joint stock limited liability company and issued 856,000,000 shares with the par value of RMB1.00 each on 31 December 2025. The weighted average number of ordinary shares outstanding during the Relevant Period was determined assuming that the paid-in capital had been fully converted into share capital at the same conversion ratio of 1:2 as upon transformation into a joint stock limited liability company.

The Company had no potential dilutive ordinary shares in issue for the year ended 31 December 2023 and the year ended 31 December 2024.

On 31 December 2025, as disclosed in note 2.3 to the Historical Financial Statements, the Company had consolidated the shareholding platforms which held the restricted shares, further details are set out in note 30 to the Historical Financial Statements.

No adjustment has been made to the basic earnings per share amounts presented for the Relevant Periods and six months ended 30 June 2025 in respect of a dilution as the impact of share award had an anti-dilutive effect on the basic earnings per share amounts presented.

The calculations of basic and diluted earnings per share are based on:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Earnings					
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	395,881	535,816	879,295	447,619	823,300
Less: profit attributable to the restricted share incentive scheme	—	—	42,809	—	40,083
Adjusted profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	395,881	535,816	836,486	447,619	783,217

	Number of shares				
	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	'000	'000	'000	'000 (unaudited)	'000
Shares					
Weighted average number of ordinary shares outstanding during the year, used in the basic earnings per share calculation	800,000	828,918	855,886	856,000	814,324

13. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Plant and machinery	Office and other equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023					
At 1 January 2023:					
Cost	87	518,548	3,719	51,405	573,759
Accumulated depreciation and impairment	—	(86,935)	(1,324)	—	(88,259)
Net carrying amount	87	431,613	2,395	51,405	485,500
At 1 January 2023, net of accumulated depreciation and impairment	87	431,613	2,395	51,405	485,500
Additions	486	3,944	454	22,836	27,720
Disposals	—	(688)	(278)	—	(966)
Transfers	—	37,171	492	(37,663)	—
Depreciation provided during the year *(note 6)*	(45)	(83,823)	(1,159)	—	(85,027)
Impairment provided during the year *(note 6)*	—	(587)	—	—	(587)
At 31 December 2023, net of accumulated depreciation and impairment	528	387,630	1,904	36,578	426,640
At 31 December 2023:					
Cost	573	558,802	3,877	36,578	599,830
Accumulated depreciation and impairment	(45)	(171,172)	(1,973)	—	(173,190)
Net carrying amount	528	387,630	1,904	36,578	426,640

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group (continued)

	Buildings	Plant and machinery	Office and other equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2024					
At 1 January 2024:					
Cost	573	558,802	3,877	36,578	599,830
Accumulated depreciation and impairment	(45)	(171,172)	(1,973)	—	(173,190)
Net carrying amount	528	387,630	1,904	36,578	426,640
At 1 January 2024, net of accumulated depreciation and impairment	528	387,630	1,904	36,578	426,640
Additions	86	5,198	493	73,125	78,902
Disposals	—	(32)	—	—	(32)
Transfers	2,021	47,796	502	(50,319)	—
Depreciation provided during the year *(note 6)*	(102)	(76,390)	(825)	—	(77,317)
Impairment provided during the year *(note 6)*	—	(162)	—	—	(162)
At 31 December 2024, net of accumulated depreciation and impairment	2,533	364,040	2,074	59,384	428,031
At 31 December 2024:					
Cost	2,680	611,447	4,870	59,384	678,381
Accumulated depreciation and impairment	(147)	(247,407)	(2,796)	—	(250,350)
Net carrying amount	2,533	364,040	2,074	59,384	428,031

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group (continued)

	Buildings	Plant and machinery	Office and other equipment	Construction in progress	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2025						
At 1 January 2025:						
Cost	2,680	611,447	4,870	59,384	—	678,381
Accumulated depreciation and impairment	(147)	(247,407)	(2,796)	—	—	(250,350)
Net carrying amount	2,533	364,040	2,074	59,384	—	428,031
At 1 January 2025, net of accumulated depreciation and impairment	2,533	364,040	2,074	59,384	—	428,031
Additions	—	1,813	2,539	134,691	—	139,043
Disposals	—	(10)	—	—	—	(10)
Transfers	—	77,155	625	(79,669)	1,889	—
Depreciation provided during the year *(note 6)*	(161)	(72,052)	(802)	—	(79)	(73,094)
Impairment provided during the year *(note 6)*	—	(219)	—	—	—	(219)
At 31 December 2025, net of accumulated depreciation and impairment	2,372	370,727	4,436	114,406	1,810	493,751
At 31 December 2025:						
Cost	2,680	689,406	8,031	114,406	1,889	816,412
Accumulated depreciation and impairment	(308)	(318,679)	(3,595)	—	(79)	(322,661)
Net carrying amount	2,372	370,727	4,436	114,406	1,810	493,751

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group (continued)

	Buildings	Plant and machinery	Office and other equipment	Construction in progress	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
30 June 2026						
At 1 January 2026:						
Cost	2,680	689,406	8,031	114,406	1,889	816,412
Accumulated depreciation and impairment	(308)	(318,679)	(3,595)	—	(79)	(322,661)
Net carrying amount	2,372	370,727	4,436	114,406	1,810	493,751
At 1 January 2026, net of accumulated depreciation and impairment	2,372	370,727	4,436	114,406	1,810	493,751
Additions	104	1,625	1,896	82,955	—	86,580
Disposals	—	(6)	—	(2,462)	—	(2,468)
Transfers	—	48,137	503	(48,640)	—	—
Depreciation provided during the period *(note 6)*	(83)	(34,757)	(883)	—	(472)	(36,195)
Impairment provided during the period *(note 6)*	—	—	—	(152)	—	(152)
At 30 June 2026, net of accumulated depreciation and impairment	2,393	385,726	5,952	146,107	1,338	541,516
At 30 June 2026:						
Cost	2,784	739,162	10,430	146,259	1,889	900,524
Accumulated depreciation and impairment	(391)	(353,436)	(4,478)	(152)	(551)	(359,008)
Net carrying amount	2,393	385,726	5,952	146,107	1,338	541,516

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company

	Buildings	Plant and machinery	Office and other equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023					
At 1 January 2023:					
Cost	87	518,548	3,695	51,405	573,735
Accumulated depreciation and impairment	—	(86,935)	(1,316)	—	(88,251)
Net carrying amount	87	431,613	2,379	51,405	485,484
At 1 January 2023, net of accumulated depreciation and impairment	87	431,613	2,379	51,405	485,484
Additions	486	3,944	454	22,836	27,720
Disposals	—	(688)	(278)	—	(966)
Transfers	—	37,171	492	(37,663)	—
Depreciation provided during the year	(45)	(83,823)	(1,150)	—	(85,018)
Impairment provided during the year	—	(587)	—	—	(587)
At 31 December 2023, net of accumulated depreciation and impairment	528	387,630	1,897	36,578	426,633
At 31 December 2023:					
Cost	573	558,802	3,853	36,578	599,806
Accumulated depreciation and impairment	(45)	(171,172)	(1,956)	—	(173,173)
Net carrying amount	528	387,630	1,897	36,578	426,633

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company (continued)

	Buildings	Plant and machinery	Office and other equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2024					
At 1 January 2024:					
Cost	573	558,802	3,853	36,578	599,806
Accumulated depreciation and impairment	(45)	(171,172)	(1,956)	—	(173,173)
Net carrying amount	528	387,630	1,897	36,578	426,633
At 1 January 2024, net of accumulated depreciation and impairment	528	387,630	1,897	36,578	426,633
Additions	86	5,198	493	73,125	78,902
Disposals	—	(32)	—	—	(32)
Transfers	2,021	47,796	502	(50,319)	—
Depreciation provided during the year	(102)	(76,390)	(821)	—	(77,313)
Impairment provided during the year	—	(162)	—	—	(162)
At 31 December 2024, net of accumulated depreciation and impairment	2,533	364,040	2,071	59,384	428,028
At 31 December 2024:					
Cost	2,680	611,447	4,845	59,384	678,356
Accumulated depreciation and impairment	(147)	(247,407)	(2,774)	—	(250,328)
Net carrying amount	2,533	364,040	2,071	59,384	428,028

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company (continued)

	Buildings	Plant and machinery	Office and other equipment	Construction in progress	leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2025						
At 1 January 2025:						
Cost	2,680	611,447	4,845	59,384	—	678,356
Accumulated depreciation and impairment	(147)	(247,407)	(2,774)	—	—	(250,328)
Net carrying amount	2,533	364,040	2,071	59,384	—	428,028
At 1 January 2025, net of accumulated depreciation and impairment	2,533	364,040	2,071	59,384	—	428,028
Additions	—	1,752	2,185	119,610	—	123,547
Disposals	—	(10)	—	—	—	(10)
Transfers	—	62,656	357	(64,902)	1,889	—
Depreciation provided during the year	(161)	(71,858)	(791)	—	(79)	(72,889)
Impairment provided during the year	—	(219)	—	—	—	(219)
At 31 December 2025, net of accumulated depreciation and impairment	2,372	356,361	3,822	114,092	1,810	478,457
At 31 December 2025:						
Cost	2,680	674,846	7,384	114,092	1,889	800,891
Accumulated depreciation and impairment	(308)	(318,485)	(3,562)	—	(79)	(322,434)
Net carrying amount	2,372	356,361	3,822	114,092	1,810	478,457

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company (continued)

	Buildings	Plant and machinery	Office and other equipment	Construction in progress	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
30 June 2026						
At 1 January 2026:						
Cost	2,680	674,846	7,384	114,092	1,889	800,891
Accumulated depreciation and impairment	(308)	(318,485)	(3,562)	—	(79)	(322,434)
Net carrying amount	2,372	356,361	3,822	114,092	1,810	478,457
At 1 January 2026, net of accumulated depreciation and impairment	2,372	356,361	3,822	114,092	1,810	478,457
Additions	104	1,247	404	73,924	—	75,679
Disposals	—	(6)	—	(2,462)	—	(2,468)
Transfers	—	47,652	503	(48,155)	—	—
Depreciation provided during the period	(83)	(34,077)	(673)	—	(472)	(35,305)
Impairment provided during the period	—	—	—	(152)	—	(152)
At 30 June 2026, net of accumulated depreciation and impairment	2,393	371,177	4,056	137,247	1,338	516,211
At 30 June 2026						
Cost	2,784	723,739	8,291	137,399	1,889	874,102
Accumulated depreciation and impairment	(391)	(352,562)	(4,235)	(152)	(551)	(357,891)
Net carrying amount	2,393	371,177	4,056	137,247	1,338	516,211

(a) At 31 December 2023, 2024 and 2025 and as at 30 June 2026, the Group had yet to obtain building ownership certificates for certain buildings with a net book value of approximately RMB528,000, RMB2,533,000 and RMB2,372,000 and RMB2,393,000, respectively.

14. INTANGIBLE ASSETS

The Group and the Company

	Software	Technology know-how	Construction in progress (software)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2023				
At 1 January 2023				
Cost	333	—	153	486
Accumulated amortisation	(72)	—	—	(72)
Net carrying amount	261	—	153	414
At 1 January 2023, net of accumulated amortisation	261	—	153	414
Additions	—	94,634	581	95,215
Amortisation *(note 6)*	(67)	(2,728)	—	(2,795)
At 31 December 2023, net of accumulated amortisation	194	91,906	734	92,834
At 31 December 2023				
Cost	333	94,634	734	95,701
Accumulated amortisation	(139)	(2,728)	—	(2,867)
Net carrying amount	194	91,906	734	92,834

	Software	Technology know-how	Construction in progress (software)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2024				
At 1 January 2024				
Cost	333	94,634	734	95,701
Accumulated amortisation	(139)	(2,728)	—	(2,867)
Net carrying amount	194	91,906	734	92,834
At 1 January 2024, net of accumulated amortisation	194	91,906	734	92,834
Additions	—	18,046	2,307	20,353
Transfers	1,904	—	(1,904)	—
Amortisation *(note 6)*	(386)	(10,320)	—	(10,706)
At 31 December 2024, net of accumulated amortisation	1,712	99,632	1,137	102,481
At 31 December 2024				
Cost	2,237	112,680	1,137	116,054
Accumulated amortisation	(525)	(13,048)	—	(13,573)
Net carrying amount	1,712	99,632	1,137	102,481

14. INTANGIBLE ASSETS (CONTINUED)

The Group and the Company (continued)

	Software	Technology know-how	Construction in progress (software)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2025				
At 1 January 2025				
Cost	2,237	112,680	1,137	116,054
Accumulated amortisation	(525)	(13,048)	—	(13,573)
Net carrying amount	1,712	99,632	1,137	102,481
At 1 January 2025, net of accumulated amortisation	1,712	99,632	1,137	102,481
Additions	—	—	2,183	2,183
Transfers	1,621	—	(1,621)	—
Amortisation *(note 6)*	(622)	(11,073)	—	(11,695)
At 31 December 2025, net of accumulated amortisation	2,711	88,559	1,699	92,969
At 31 December 2025				
Cost	3,858	112,680	1,699	118,237
Accumulated amortisation	(1,147)	(24,121)	—	(25,268)
Net carrying amount	2,711	88,559	1,699	92,969

	Software	Technology know-how	Construction in progress (software)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 30 June 2026				
At 1 January 2026				
Cost	3,858	112,680	1,699	118,237
Accumulated amortisation	(1,147)	(24,121)	—	(25,268)
Net carrying amount	2,711	88,559	1,699	92,969
At 1 January 2026, net of accumulated amortisation	2,711	88,559	1,699	92,969
Additions	—	—	2,161	2,161
Transfers	406	—	(406)	—
Amortisation *(note 6)*	(445)	(5,536)	—	(5,981)
At 30 June 2026, net of accumulated amortisation	2,672	83,023	3,454	89,149
At 30 June 2026	—			
Cost	4,264	112,680	3,454	120,398
Accumulated amortisation	(1,592)	(29,657)	—	(31,249)
Net carrying amount	2,672	83,023	3,454	89,149

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of office building, dormitories, plants and others used in its operations. Leases of office building and plant generally have lease terms between 1 and 20 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) ***Right-of-use assets***

The carrying amounts of the right-of-use assets and the movements during the Relevant Periods are as follows:

The Group

	Plant and buildings
	RMB'000
At 1 January 2023	56,155
Additions	860
Disposal	—
Depreciation charged *(note 6)*	(28,789)
At 31 December 2023	28,226
At 1 January 2024	28,226
Additions	2,327
Disposal	—
Depreciation charged *(note 6)*	(30,528)
At 31 December 2024	25
At 1 January 2025	25
Additions	109,403
Disposal	—
Depreciation charged *(note 6)*	(32,646)
At 31 December 2025	76,782
At 1 January 2026	76,782
Additions	4,122
Right-of-use assets early termination	(16,714)
Depreciation charged *(note 6)*	(12,790)
At 30 June 2026	51,400

15. LEASES (continued)

The Group as a lessee (continued)

(a) *Right-of-use assets (continued)*

The Company

	Plant and buildings
	RMB'000
At 1 January 2023	56,155
Additions	860
Disposal	—
Depreciation charged *(note 6)*	(28,789)
At 31 December 2023	28,226
At 1 January 2024	28,226
Additions	2,327
Disposal	—
Depreciation charged *(note 6)*	(30,528)
At 31 December 2024	25
At 1 January 2025	25
Additions	97,593
Disposal	—
Depreciation charged *(note 6)*	(32,351)
At 31 December 2025	65,267
At 1 January 2026	65,267
Additions	4,122
Right-of-use assets early termination	(16,714)
Depreciation charged *(note 6)*	(12,495)
At 30 June 2026	40,180

(b) *Lease liabilities*

The carrying amount of lease liabilities and the movements during the Relevant Periods are as follows:

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January	57,244	28,201	39	79,544
Addition	861	2,326	109,403	4,122
Accretion of interest recognised during the year/period *(note 7)*	432	478	2,921	893
Lease payment	(30,336)	(30,966)	(32,819)	(1,473)
Early lease termination	—	—	—	(18,479)
Carrying amount at 31 December/30 June	28,201	39	79,544	64,607
Analyzed into:				
Current portion	28,177	39	(33,285)	26,209
Non-current portion	24	—	46,259	38,398

15. LEASES (continued)

The Group as a lessee (continued)

(b) ***Lease liabilities (continued)***

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January	57,244	28,201	39	67,551
Addition	861	2,326	97,593	4,122
Accretion of interest recognised during the year/period *(note 7)*	432	478	2,738	707
Lease payment	(30,336)	(30,966)	(32,819)	(1,473)
Early lease termination	—	—	—	(18,479)
Carrying amount at 31 December/30 June	28,201	39	67,551	52,428
Analyzed into:				
Current portion	28,177	39	33,285	25,850
Non-current portion	24	—	34,266	26,578

The maturity analysis of lease liabilities is disclosed in note 37 to the Historical Financial Information.

(c) Total amounts recognized in profit or loss in relation to leases during the Relevant Periods and six months ended 30 June 2025 are as follows:

The Group

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest on lease liabilities *(note 7)*	432	478	2,921	1,589	893
Depreciation charge of right-of-use assets	28,789	30,528	32,646	16,051	12,790
Expenses relating to short-term leases and low-value leases	5,867	1,852	6,507	1,610	4,133
Total amount recognised in profit or loss	35,088	32,858	42,074	19,250	17,816

The Company

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest on lease liabilities *(note 7)*	432	478	2,738	1,589	707
Depreciation charge of right-of-use assets	28,789	30,528	32,351	16,051	12,495
Expenses relating to short-term leases and low-value leases	5,867	1,852	6,382	1,558	3,899
Total amount recognised in profit or loss	35,088	32,858	41,471	19,198	17,101

16. INVESTMENT IN A JOINT VENTURE

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Shares of net assets	186,718	269,508	303,737	310,589

The Group's trade receivable balances and other balances due from or due to the joint venture are disclosed in note 34 to the Historical Financial Information.

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Shares of net assets	186,214	269,209	299,207	307,621

The following table illustrates the aggregate financial information of the Group's joint venture that is not individually material:

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Share of the joint venture's profit for the year/period	75,060	86,112	102,775	83,104
Share of the joint venture's total comprehensive income	75,060	86,112	102,775	83,104
Aggregate carrying amount of the Group's investment in the joint venture	186,718	269,508	303,737	310,589

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Share of the joint venture's profit for the year/period	74,557	85,813	103,897	83,414
Share of the joint venture's total comprehensive income	74,557	85,813	103,897	83,414
Aggregate carrying amount of the Company's investment in the joint venture	186,214	269,209	299,207	307,621

The Group's shareholdings in the joint venture are all held by the Company directly.

17. DEFERRED TAX

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

Deferred tax assets

The Group

	Impairment of assets	Accrued expenses	Deferred income	Lease liabilities	Fair value adjustments arising from financial instruments	Provision	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	2,754	13,980	—	7,261	—	—	—	23,995
Deferred tax credited/(charged) to the consolidated statements of profit or loss during the year	(91)	3,888	2,462	(7,257)	—	1,562	18	582
Deferred tax credited to the consolidated statements of other comprehensive income during the year	—	—	—	—	426	—	—	426
At 31 December 2023	2,663	17,868	2,462	4	426	1,562	18	25,003
Deferred tax credited to the consolidated statements of profit or loss during the year	66	1,877	1,258	2	—	1,070	14	4,287
Deferred tax charged to the consolidated statements of other comprehensive income during the year	—	—	—	—	(65)	—	—	(65)
At 31 December 2024	2,729	19,745	3,720	6	361	2,632	32	29,225
Deferred tax credited/(charged) to the consolidated statements of profit or loss during the year	5,337	10,159	3,449	13,125	—	(332)	2,866	34,604
Deferred tax credited to the consolidated statements of other comprehensive income during the year	—	—	—	—	211	—	—	211
At 31 December 2025	8,066	29,904	7,169	13,131	572	2,300	2,898	64,040

17. DEFERRED TAX (continued)

Deferred tax assets (continued)

The Company

	Impairment of assets	Accrued Expenses	Deferred income	Lease liabilities	Fair value adjustments arising from financial instruments	Provision	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	2,754	13,504	—	7,262	—	—	—	23,520
Deferred tax credited/(charged) to the consolidated statements of profit or loss during the year	(91)	2,810	2,462	(7,258)	—	1,562	18	(497)
Deferred tax credited to the consolidated statements of other comprehensive income during the year	—	—	—	—	426	—	—	426
At 31 December 2023	2,663	16,314	2,462	4	426	1,562	18	23,449
Deferred tax credited to the consolidated statements of profit or loss during the year	66	1,956	1,258	2	—	1,070	15	4,367
Deferred tax charged to the consolidated statements of other comprehensive income during the year	—	—	—	—	(65)	—	—	(65)
At 31 December 2024	2,729	18,270	3,720	6	361	2,632	33	27,751
Deferred tax credited/(charged) to the consolidated statements of profit or loss during the year	5,335	7,232	3,449	10,127	—	(332)	(1)	25,810
Deferred tax credited to the consolidated statements of other comprehensive income during the year	—	—	—	—	211	—	—	211
At 31 December 2025	8,064	25,502	7,169	10,133	572	2,300	32	53,772
At 1 January 2026	8,064	25,502	7,169	10,133	572	2,300	32	53,772
Deferred tax credited/(charged) to the consolidated statements of profit or loss during the period	1,536	1,347	(513)	(2,269)	—	280	(4)	377
Deferred tax credited to the consolidated statements of other comprehensive income during the period	—	—	—	—	(463)	—	—	(463)
At 30 June 2026	9,600	26,849	6,656	7,864	109	2,580	28	53,686

17. DEFERRED TAX (continued)

Deferred tax liabilities

The Group

	Depreciation allowance in excess of related depreciation	Purchase price variance	Right-of-use assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	—	2,407	(7,098)	(4,691)
Charged/(credited) to profit or loss during the year *(note 10)*	(3,655)	(3,432)	7,088	1
At 31 December 2023	(3,655)	(1,025)	(10)	(4,690)
Charged/(credited) to profit or loss during the year *(note 10)*	(6,647)	(7,368)	6	(14,009)
At 31 December 2024	(10,302)	(8,393)	(4)	(18,699)
Credited to profit or loss during the year *(note 10)*	(5,246)	(5,063)	(12,665)	(22,974)
At 31 December 2025	(15,548)	(13,456)	(12,669)	(41,673)
Credited to profit or loss during the period *(note 10)*	(2,811)	7,340	3,837	8,366
At 30 June 2026	(18,359)	(6,116)	(8,832)	(33,307)

The Company

	Depreciation allowance in excess of related depreciation	Purchase price variance	Right-of-use assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	—	2,407	(7,098)	(4,691)
Charged/(credited) to profit or loss during the year	(3,655)	(3,432)	7,088	1
At 31 December 2023	(3,655)	(1,025)	(10)	(4,690)
Charged/(credited) to profit or loss during the year	(6,647)	(7,368)	6	(14,009)
At 31 December 2024	(10,302)	(8,393)	(4)	(18,699)
Credited to profit or loss during the year *(note 10)*	(5,246)	(4,960)	(9,786)	(19,992)
At 31 December 2025	(15,548)	(13,353)	(9,790)	(38,691)
Credited to profit or loss during the period *(note 10)*	(2,811)	7,237	3,763	8,189
At 30 June 2026	(18,359)	(6,116)	(6,027)	(30,502)

There was no income tax or withholding tax consequences attaching to the payment of dividends by the Company to its shareholders during the Relevant Periods.

17. DEFERRED TAX (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statements of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	20,313	10,526	22,367	34,325

The following is an analysis of the deferred tax balances of the Company for financial reporting purposes:

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	18,759	9,052	15,081	23,184

18. OTHER NON-CURRENT ASSETS

The Group and the Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments for acquisition of property, plant and equipment	9,042	33,581	51,819	27,870

19. INVENTORIES

The Group

	As at 31 December			As at 30 June
	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

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	392,780	458,201	530,970	734,827
Work in progress	9,063	11,141	3,046	749
Finished goods	896,310	1,012,856	1,470,159	1,738,414
Total	1,298,153	1,482,198	2,004,175	2,473,990

The inventories are net of a write-down of approximately RMB17,020,000, RMB16,475,000 and RMB37,272,000 and RMB37,445,000 in the consolidated statements of financial position as at 31 December 2023, 2024 and 2025 and as at 30 June 2026, respectively.

20. TRADE AND BILLS RECEIVABLES

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
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)
Net carrying amount	1,022,541	1,574,247	2,446,874	3,825,748

20. TRADE AND BILLS RECEIVABLES (continued)

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	275,252	629,758	1,281,292	3,248,885
Bills receivable	702,218	879,139	1,090,179	491,255
Impairment	(148)	(976)	(15,785)	(25,850)
Net carrying amount	977,322	1,507,921	2,355,686	3,714,290

Trade receivables mainly arise from the sales of marine engines and power generators. The Group periodically conducts credit evaluations of customers who trade on credit. Based on the results of the credit evaluations, the Group selects to transact with approved and creditworthy customers and monitors their receivable balances to ensure that the Company is not exposed to significant bad debt risk.

No collateral is required as the Group only deals with approved and creditworthy third parties. Credit risk concentration is managed on a customer-by-customer basis. Trade receivables are non-interest-bearing.

The Group's bills receivables were all accepted by banks and mature within one year, which were neither past due nor impaired.

As of 31 December 2023, 2024 and 2025 and as of 30 June 2026, bills receivable of RMB331,052,000, RMB360,625,000 and RMB493,721,000 and RMB123,259,000 whose fair values approximate to their carrying values, were classified as financial assets at fair value through other comprehensive income, respectively, and the remaining bills receivable were measured at amortized cost.

The ageing of the trade receivables as at the end of each reporting period, based on the invoice date and net of provisions, is as follows:

The Group

	As at 31 December			As at 30 June
	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
181 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

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within 180 days	217,496	501,428	1,093,989	2,796,955
181 days to 1 year	50,030	98,583	136,868	332,403
1 to 2 years	7,578	28,759	31,500	87,459
2 to 3 years	—	12	3,141	5,855
Over 3 years	—	—	9	363
Total	275,104	628,782	1,265,507	3,223,035

20. TRADE AND BILLS RECEIVABLES (continued)

The movements in the loss allowance for impairment of trade receivables are as follows:

The Group

	As at 31 December			As at 30 June
	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

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	205	148	976	15,785
Impairment losses, net	(57)	828	14,809	10,065
At end of year/period	148	976	15,785	25,850

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

The Group

As at 31 December 2023

	Aging				As at 31 December 2023
	Within 180 days	181 days to 1 year	1 to 2 years	2 to 3 years	Total
Expected credit loss rate	0.04%	0.04%	0.56%	—	0.05%
Gross carrying amount *(RMB'000)*	236,369	50,050	7,621	—	294,040
Expected credit losses *(RMB'000)*	85	20	43	—	148

20. TRADE AND BILLS RECEIVABLES (continued)

The Group (continued)

As at 31 December 2024

	Aging				As at 31 December 2024
	Within 180 days	181 days to 1 year	1 to 2 years	2 to 3 years	Total
Expected credit loss rate	0.11%	0.11%	1.13%	25.00%	0.15%
Gross carrying amount *(RMB'000)*	508,439	98,688	29,089	16	636,232
Expected credit losses *(RMB'000)*	537	105	330	4	976

As at 31 December 2025

	Aging					As at 31 December 2025
	Within 180 days	181 days to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	0.28%	0.28%	24.11%	42.80%	43.75%	1.23%
Gross carrying amount *(RMB'000)*	1,104,621	137,246	41,510	5,491	16	1,288,884
Expected credit losses *(RMB'000)*	3,048	378	10,010	2,350	7	15,793

As at 30 June 2026

	Aging					As at 30 June 2026
	Within 180 days	181 days to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	0.30%	0.30%	11.73%	42.79%	42.83%	0.78%
Gross carrying amount *(RMB'000)*	2,867,176	340,995	99,227	10,235	635	3,318,268
Expected credit losses *(RMB'000)*	8,613	1,024	11,638	4,380	272	25,927

The Company

As at 31 December 2023

	Aging				As at 31 December 2023
	Within 180 days	181 days to 1 year	1 to 2 years	2 to 3 years	Total
Expected credit loss rate	0.04%	0.04%	0.56%	—	0.05%
Gross carrying amount *(RMB'000)*	217,581	50,050	7,621	—	275,252
Expected credit losses *(RMB'000)*	85	20	43	—	148

20. TRADE AND BILLS RECEIVABLES (continued)

The Group (continued)

As at 31 December 2024

	Aging				As at 31 December 2024
	Within 180 days	181 days to 1 year	1 to 2 years	2 to 3 years	Total
Expected credit loss rate	0.11%	0.11%	1.13%	25.00%	0.15%
Gross carrying amount *(RMB'000)*	501,965	98,688	29,089	16	629,758
Expected credit losses *(RMB'000)*	537	105	330	4	976

As at 31 December 2025

	Aging					As at 31 December 2025
	Within 180 days	181 days to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	0.28%	0.28%	24.11%	42.80%	43.75%	1.23%
Gross carrying amount *(RMB'000)*	1,097,029	137,246	41,510	5,491	16	1,281,292
Expected credit losses *(RMB'000)*	3,040	378	10,010	2,350	7	15,785

As at 30 June 2026

	Aging					As at 30 June 2026
	Within 180 days	181 days to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	0.30%	0.30%	11.86%	42.79%	42.83%	0.80%
Gross carrying amount *(RMB'000)*	2,805,382	333,405	99,228	10,235	635	3,248,885
Expected credit losses *(RMB'000)*	8,427	1,002	11,769	4,380	272	25,850

21. CAPITALIZED CONTRACT COST

The Group and the Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Capitalized contract costs relating to the projects on development of technology know-how				
At January 1	20,092	12,545	—	—
Addition	12,945	156	—	—
Charged to profit or loss	(20,492)	(12,701)	—	—
At December 31/June 30	12,545	—	—	—

22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 December			As at 30 June
	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

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments	44,188	24,956	55,435	42,734
Taxes recoverable	52,613	60,860	82,810	—
Deposits and other receivables	14,327	53,626	53,059	53,080
[REDACTED] expenses	—	—	1,786	4,036
Others	—	991	1,397	1,396
Dividends receivable	—	—	—	75,000
Total	111,128	140,433	194,487	176,246

The balances are interest-free and are not secured with collateral.

The financial assets included in the above balances relate to receivables were categorized in stage 1 at the end of each of the Relevant Periods. In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data. During the Relevant Periods, the Group estimated that the expected credit loss rate for these financial assets is minimal.

23. CASH AND CASH EQUIVALENTS

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balance	730,071	885,866	1,545,192	1,313,787
Denominated in:				
RMB	707,625	875,260	1,540,397	1,310,195
USD	18,102	6,925	3,742	3,110
EUR	4,344	3,681	1,053	482

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balance	712,645	873,666	1,447,289	1,223,766
Denominated in:				
RMB	690,199	863,060	1,442,494	1,220,174
USD	18,102	6,925	3,742	3,110
EUR	4,344	3,681	1,053	482

The RMB is not freely convertible into other currencies, however, under the China mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

24. TRADE AND BILLS PAYABLES

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
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

24. TRADE AND BILLS PAYABLES (continued)

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	1,055,145	1,541,782	2,407,629	3,251,244
Bills payables	432,630	651,420	1,040,060	940,000
Total	1,487,775	2,193,202	3,447,689	4,191,244

An aging analysis of the trade and bills payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

The Group

	As at 31 December			As at 30 June
	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

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	1,487,623	2,190,080	3,437,311	4,176,316
Over 1 year	152	3,122	10,378	14,928
Total	1,487,775	2,193,202	3,447,689	4,191,244

The trade and bills payables are non-interest-bearing and normally settled within one year.

As at 31 December 2023, 2024 and 2025 and as at 30 June 2026, the carrying amounts of trade and bills payables approximated to their fair values.

25. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December			As at 30 June
	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
Payables for long-term assets	117,899	79,192	36,510	36,238
Payroll payables	102,795	121,663	211,188	241,344
Refund liabilities	46,857	31,335	22,718	29,411
Output VAT	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

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities:				
—Advance from customer	278,416	181,262	515,444	443,853
—Unfulfilled service-type maintenance services	10,412	17,545	15,329	17,203
Payables for long-term assets	117,899	79,192	33,633	31,961
Payroll payables	102,795	121,663	205,670	231,845
Refund liabilities	41,183	25,493	9,417	20,126
Output VAT payable	36,194	23,609	46,684	25,514
Others	54,104	79,792	87,549	108,631
Total	641,003	528,556	913,726	879,133

Contract liabilities include short-term advances received to deliver products and unfulfilled service-type maintenance service. The increase in contract liabilities in 2025 and as at 30 June 2026 was mainly due to the increase in short-term advances received from customers in relation to delivering products at the end of the period, driven by growth in sales.

Other payables are unsecured, non-interest-bearing and repayable on demand.

26. INTEREST-BEARING BANK BORROWINGS

The Group

	As at 31 December 2023			As at 31 December 2024			As at 31 December 2025		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current									
Bank loans — unsecured	0.40~2.63	2024	393,688	0.30~3.04	2025	348,419	2.15~2.20	2026	320,211

	As at 30 June 2026		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans — unsecured	2.11~2.15	2026-2027	320,188

The Company

	As at 31 December 2023			As at 31 December 2024			As at 31 December 2025		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current									
Bank loans — unsecured	0.40~2.63	2024	382,123	0.30~3.04	2025	348,419	2.15~2.20	2026	320,211

	As at 30 June 2026		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans — unsecured	2.11~2.15	2026-2027	320,188

All interest-bearing loans of the Group are denominated in RMB and repayable within one year.

27. PROVISION

The Group

	Provision for warranties
	RMB'000
At 1 January 2023	22,055
Provision made	24,570
Provision utilized	(15,580)
At 31 December 2023 and 1 January 2024	31,045
Provision made	57,278
Provision utilized	(38,156)
At 31 December 2024 and 1 January 2025	50,167
Provision made	102,723
Provision utilized	(72,832)
At 31 December 2025 and 1 January 2026	80,058
Provision made	57,563
Provision utilized	(34,811)
At 30 June 2026	102,810

27. PROVISION (CONTINUED)

The Company

	Provision for warranties
	RMB'000
At 1 January 2023	22,055
Provision made	24,570
Provision utilized	(15,580)
At 31 December 2023 and 1 January 2024	31,045
Provision made	57,278
Provision utilized	(38,156)
At 31 December 2024 and 1 January 2025	50,167
Provision made	102,652
Provision utilized	(72,832)
At 31 December 2025 and 1 January 2026	79,987
Provision made	57,313
Provision utilized	(34,811)
At 30 June 2026	102,489

28. DEFERRED INCOME

The Group and the Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred government grant	16,410	24,798	47,790	44,372

Deferred income represented amounts received from the local governments to support the Group's research and development activities with certain conditions to fulfil, which will be recognised in profit or loss upon the fulfilment of the conditions.

29. PAID-IN CAPITAL/SHARE CAPITAL AND TREASURY SHARES

Paid-in capital

A summary of movements in the Company's paid-in capital is as follows:

	Paid-in capital
	RMB'000
At 1 January 2023, 31 December 2023 and 1 January 2024	400,000
Capital contributions*	28,000
At 31 December 2024 and 1 January 2025	428,000
Capital contribution due to conversion into a joint stock limited liability company**	(428,000)
At 31 December 2025, 1 January 2026 and 30 June 2026	—

Share capital and treasury shares

A summary of movements in the Company's share capital and treasury shares are as follows:

	Number of shares in issue	Share capital	Number of treasury shares	Treasury shares***
		RMB'000		RMB'000
At 1 January 2023, 31 December 2023, 1 January 2024, 31 December 2024 and 1 January 2025	—	—	—	—
Capital contribution due to conversion into a joint stock limited liability company**	856,000,000	856,000	—	—
Consolidation of share incentive scheme related shareholding platforms under common control	—	—	(41,675,676)	(61,724)
At 31 December 2025, 1 January 2026 and 30 June 2026	856,000,000	856,000	(41,675,676)	(61,724)

* On 26 June 2024, the Company received capital contributions of RMB82,880,000 from certain shareholders of the Company as a result of the share incentive scheme as further detailed in note 30 to the Historical Financial Information, of which RMB28,000,000 and RMB54,880,000 was recognized as increase to paid-in capital and capital reserve, respectively.

** Pursuant to the approval in the shareholders' meeting held in 24 December 2025, the Company was converted from a limited liability company into a joint stock company on 31 December 2025. Upon conversion, the net assets of the Company after distribution of profits as at 31 January 2025 were capitalised into 856,000,000 ordinary shares with a nominal value of RMB1.00 each, which were allotted to the existing shareholders in proportion to their respective interests prior to the conversion. The excess of net assets value as at RMB466,373,000 over the nominal value of the share capital was recorded as capital reserve of the Company.

*** As disclosed in note 2.3 to the Historical Financial Information, at 31 December 2025, the Company have obtain the control over the shareholding platform of Yulin Changyingjia and Yulin Zhongli from its holding Company, pursuant to which the Company has the existing rights and the ability to direct the relevant activities of the shareholding platform, accordingly, the Company has consolidated the shareholding platform from 31 December 2025. Treasury shares represented the total number of issued ordinary shares held by the two consolidated shareholding platforms.

30. SHARE-BASED PAYMENT

For the purpose of awarding the employees and directors of the Company and its parent entity, GYMCL, to secure their services and incentivize their maximum effort towards the Company's and GYMCL's success, Yulin Changyingjia and Yulin Zhongli were established as employee share incentive platforms under which partnership was awarded to eligible participants who are employees of the Group, and Yulin Dayingjia Investment Partnership Enterprise (玉林大盈家投資合夥企業(有限合夥), "Yulin Dayingjia") was established as an employee share incentive platforms under which partnership was awarded to eligible participants who are employees of GYMCL and its subsidiaries other than the Company. Yulin Changyingjia and Yulin Zhongli were consolidated by the Company at 31 December 2025.

On June 26, 2024, share awards were granted to certain eligible participants of three share incentive platforms by increasing RMB28,000,000 of newly registered capital ("Restricted Shares") of the Company at the subscription of RMB2.96 for every RMB1 of newly increased registered capital, with the total subscription contributed by three share incentive platforms amounted to RMB82,880,000. Specifically, (i) Yulin Changyingjia contributed RMB54,380,001 to subscribe for RMB18,371,622 of the newly increased registered capital; (ii) Yulin Dayingjia contributed RMB21,700,006 to subscribe for RMB7,331,083 of the newly increased registered capital; and (iii) Yulin Zhongli contributed RMB6,799,993 to subscribe for RMB2,297,295 of the newly increased registered capital.

The Group determined the fair value of each RMB1 of newly increased registered capital by using a discounted cash flow model. The fair value of granted award was RMB4.70 per each RMB1 of registered capital.

These Restricted Shares granted to grantees shall be vested on the earlier of: (i) 3 years after the completion of **[REDACTED] [REDACTED]** of the Company's shares; or (ii) ten years from the grant date provided the Company is not in the process of **[REDACTED]** review by the end of such ten-year period.

The following restricted shares were outstanding during the Relevant Periods:

	As at 31 December			As at 30 June
	2023	2024	2025	2026
Outstanding at 1 January	—	—	28,000	56,000
Granted	—	28,000	—	—
Adjustment in number of shares*	—	—	28,000	—
Outstanding at 31 December/30 June	—	28,000	56,000	56,000

* The Company was converted into a joint stock limited liability company and issued 856,000,000 shares with the par value of RMB1.00 each on 31 December 2025. The number of restricted shares outstanding had been converted into share capital at the conversion ratio of 1:2 upon transformation into a joint stock limited liability company.

Share-based payment expenses during the Relevant Periods and six months ended 30 June 2025 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Share-based payment expenses	—	5,574	10,769	5,337	2,937

31. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

(a) ***Capital reserve***

The capital reserve of the Group represents the difference between the increase in paid-in capital and the capital contribution received from shareholders.

(b) ***Other reserve***

Other reserve represents the fair value change of financial assets at fair value through other comprehensive income.

(c) ***Statutory surplus reserve***

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to appropriate 10% of its net profits after tax, as determined under the PRC GAAP, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the subsidiaries, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital, provided that the balance after such conversion is not less than 25% of the registered capital of the respective entities. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

A summary of the Company's reserves is as follows:

Year ended 31 December 2023

	Capital reserve	Other reserve	Statutory surplus reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	269,154	(530)	24,866	223,794	517,284
Profit and total comprehensive income for the year	—	(1,884)	—	390,014	388,130
Appropriation to statutory reserve	—	—	39,001	(39,001)	—
At 31 December 2023	269,154	(2,414)	63,867	574,807	905,414

31. RESERVES (continued)

The Group (continued)

(c) ***Statutory surplus reserve (continued)***

Year ended 31 December 2024

	Capital reserve	Share-based payment reserve	Other reserve	Statutory surplus reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024	269,154	—	(2,414)	63,867	574,807	905,414
Profit and total comprehensive income for the year	—	—	495	—	527,050	527,545
Dividends	—	—	—	—	(200,000)	(200,000)
Capital contributions	54,880	—	—	—	—	54,880
Share-based payment expenses	—	5,574	—	—	—	5,574
Appropriation to statutory surplus reserve	—	—	—	52,705	(52,705)	—
At 31 December 2024	324,034	5,574	(1,919)	116,572	849,152	1,293,413

Year ended 31 December 2025

	Capital reserve	Share-based payment reserve	Other reserve	Statutory surplus reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2025	324,034	5,574	(1,919)	116,572	849,152	1,293,413
Profit and total comprehensive income for the year	—	—	(1,193)	—	870,725	869,532
Dividends	—	—	—	—	(425,000)	(425,000)
Conversion into a joint stock limited liability company	142,339	(6,489)	3,447	(119,229)	(448,068)	(428,000)
Share-based payment expenses	—	10,769	—	—	—	10,769
Appropriation to statutory surplus reserve	—	—	—	86,157	(86,157)	—
At 31 December 2025	466,373	9,854	335	83,500	760,652	1,320,714

31. RESERVES (continued)

The Group (continued)

(c) ***Statutory surplus reserve (continued)***

Six months ended 30 June 2026

	Capital reserve	Share-based payment reserve	Other reserve	Statutory surplus reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2026	466,373	9,854	335	83,500	760,652	1,320,714
Profit and total comprehensive income for the period	—	—	2,625	—	801,853	804,478
Share-based payment expenses	—	2,937	—	—	—	2,937
At 30 June 2026	466,373	12,791	2,960	83,500	1,562,505	2,128,129

32. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) During the year ended 31 December 2023, 2024 and 2025 and six months ended 30 June 2026, the Group had non-cash additions to right-of-use assets of RMB860,000, RMB2,327,000 and RMB109,403,000 and RMB4,122,000, and lease liabilities of RMB860,000, RMB2,327,000 and RMB109,403,000 and RMB4,122,000, respectively, in respect of lease arrangements for plant and buildings.

(b) Changes in liabilities arising from financing activities

	Lease liabilities	Interest-bearing loans	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2023	57,244	377,037	434,281
Changes from financing cash flows	(30,336)	5,985	(24,351)
New leases	861	—	861
Interest expenses	432	10,666	11,098
At 31 December 2023 and 1 January 2024	28,201	393,688	421,889
Changes from financing cash flows	(30,966)	(52,339)	(83,305)
New leases	2,326	—	2,326
Interest expenses	478	7,070	7,548
At 31 December 2024 and 1 January 2025	39	348,419	348,458
Changes from financing cash flows	(32,819)	(35,182)	(68,001)
New leases	109,403	—	109,403
Interest expenses	2,921	6,974	9,895
At 31 December 2025 and 1 January 2026	79,544	320,211	399,755
Changes from financing cash flows	(1,473)	(3,406)	(4,879)
New leases	4,122	—	4,122
Early lease termination	(18,479)	—	(18,479)
Interest expenses	893	3,383	4,276
At 30 June 2026	64,607	320,188	384,795

(b) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Within operating activities	(5,867)	(1,852)	(6,507)	(1,610)	(4,133)
Within financing activities	(30,336)	(30,966)	(32,819)	—	(1,473)
Total	(36,203)	(32,818)	(39,326)	(1,610)	(5,606)

33. COMMITMENTS

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:				
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

34. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Sales of products and rendering of services					
— the joint venture	23,330	108,231	202,444	83,518	113,694
— GYMCL and its subsidiaries and joint ventures, excluding the Group and its joint venture ("GYMCL related parties")	90,830	95,796	102,378	44,106	54,699
— GY and its subsidiaries, joint ventures and associates ("GY entities")	708,393	539,418	289,739	138,591	132,905
Purchase of products and receipt of services					
— the joint venture	191,014	256,627	292,801	177,625	177,724
— GYMCL related parties	257,410	459,952	727,901	273,000	447,598
— GY entities	561,326	624,462	879,311	424,428	603,748
Revenue from leases with related parties (as lessor)					
— GYMCL related parties	50	15,327	19,692	9,065	5,492
Payment for leases with related parties (as lessee)					
— GYMCL related parties	27,571	28,603	30,150	—	2,217
— GY entities	2,363	2,363	2,630	323	2,081
Purchases of equipment and technology know-how					
— GYMCL related parties	96,394	25,795	5,078	567	4,616
— GY entities	—	—	454	—	196

34. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables				
— the joint venture	5,998	59,861	49,791	51,455
— GYMCL and its subsidiaries and joint ventures	22,187	22,538	40,648	53,085
— GY and its subsidiaries, joint ventures and associates	190,065	117,761	17,086	37,042
Prepayments, deposits and other receivables				
— the joint venture	1,971	—	—	75,000
— GYMCL and its subsidiaries and joint ventures	28,263	40,664	31,971	40,560
— GY and its subsidiaries, joint ventures and associates	200	—	—	106
Trade and bills payables				
— the joint venture	15,134	36,431	—	40,582
— GYMCL and its subsidiaries and joint ventures	130,844	257,844	519,615	684,230
— GY and its subsidiaries, joint ventures and associates	258,942	307,957	359,021	465,456
Other payables and accruals				
— the joint venture	—	—	—	—
— GYMCL and its subsidiaries and joint ventures	112,862	94,451	15,766	11,604
— GY and its subsidiaries, joint ventures and associates	18,942	327	14,914	322

There was no outstanding balance of non-trade nature due to or from related parties.

(c) Compensation of key management personnel of the Group

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Short term employee benefits	5,716	6,443	7,109	1,310	1,644
Post-employment benefits	37	39	46	55	91
Share-based payment	—	3,342	6,460	—	230
Total compensation paid to key management personnel	5,753	9,824	13,615	1,365	1,965

Further details of directors' and the supervisor's emoluments are included in note 8 to the financial statements.

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

As at 31 December 2023

Financial assets

	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	—	730,071	730,071
Trade and bills receivables	331,052	691,489	1,022,541
Financial assets included in prepayments, other receivables and other assets	—	14,327	14,327
Total	331,052	1,435,887	1,766,939

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Interest-bearing bank borrowings	393,688
Trade and bills payables	1,502,908
Financial liabilities included in other payables and accruals	136,047
Lease liabilities	28,201
Total	2,060,844

35. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

As at 31 December 2024

Financial assets

	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	—	885,866	885,866
Trade and bills receivables	360,625	1,213,622	1,574,247
Financial assets included in prepayments, other receivables and other assets	—	53,626	53,626
Total	360,625	2,153,114	2,513,739

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Interest-bearing bank borrowings	348,419
Trade and bills payables	2,229,566
Financial liabilities included in other payables and accruals	126,361
Lease liabilities	39
Total	2,704,385

35. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

As at 31 December 2025

Financial assets

	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	—	1,545,192	1,545,192
Trade and bills receivables	493,721	1,953,153	2,446,874
Financial assets included in prepayments, other receivables and other assets	—	54,983	54,983
Total	493,721	3,553,328	4,047,049

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Interest-bearing bank borrowings	320,211
Trade and bills payables	3,501,977
Financial liabilities included in other payables and accruals	69,012
Lease liabilities	79,544
Total	3,970,744

35. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

As at 30 June 2026

Financial assets

	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	—	1,313,787	1,313,787
Trade and bills receivables	123,259	3,702,489	3,825,748
Financial assets included in prepayments, other receivables and other assets	—	57,562	57,562
Total	123,259	5,073,838	5,197,097

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Interest-bearing bank borrowings	320,188
Trade and bills payables	4,263,067
Financial liabilities included in other payables and accruals	63,083
Lease liabilities	64,607
Total	4,710,945

Transfers of financial assets

Transferred financial assets that are not derecognised in their entirety

As at 31 December 2023, 2024 and 2025 and as at 30 June 2026, the Group endorsed certain bills receivables accepted by banks in Chinese mainland (the "Endorsed Bills") with a carrying amount of RMB370,030,000, RMB506,861,000 and RMB588,317,000 and RMB321,566,000 to certain of its suppliers, respectively, in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties.

35. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Transfers of financial assets (continued)

Transferred financial assets that are not derecognised in their entirety (continued)

As at 31 December 2023, 2024 and 2025 and as at 30 June 2026, the Group discounted certain bills receivables accepted by banks in Chinese mainland (the "Discounted Bills") with carrying amounts of RMB1,559,000, Nil and Nil and Nil, respectively (the "Discounting"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Discounted Bills, and accordingly, it continued to recognize the full carrying amounts of the Discounted Bills and the associated bank borrowings. Subsequent to the Discounting, the Group did not retain any rights on the use of the Discounted Bills, including the sale, transfer or pledge of the Discounted Bills to any other third parties.

Transferred financial assets that are derecognised in their entirety

As at 31 December 2023, 2024 and 2025 and as at 30 June 2026, the Group endorsed certain bills receivables accepted by banks iChinese mainland (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with carrying amounts in aggregate of RMB106,462,000, RMB113,370,000 and RMB616,257,000 and RMB691,474,000, respectively, and discounted certain bills receivables accepted by banks in Chinese mainland (the "Derecognised Bills") with a carrying amount in aggregate of RMB17,044,000, RMB226,618,000 and RMB81,536,000 and Nil, respectively. The Derecognised Bills had a maturity of one to twelve months at the end of the Relevant Periods. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills may exercise the right of recourse against any, several or all of the persons liable for the Derecognised Bills, including the Group, in disregard of the order of precedence (the "Continuing Involvement"). In the opinion of the directors, the risk of the Group being claimed by the holders of the Derecognised Bills is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the years ended 31 December 2023, 2024 and 2025 and the six months ended 30 June 2026, the Group has recognized losses of RMB652,000, RMB1,328,000 and RMB1,241,000 and RMB149,000, respectively, on the date of transfer of the Derecognized Bills.

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables, interest-bearing bank and other borrowings, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Bills receivables	—	331,052	—	331,052

As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Bills receivables	—	360,625	—	360,625

As at 31 December 2025

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Bills receivables	—	493,721	—	493,721

As at 30 June 2026

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Bills receivables	—	123,259	—	123,259

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings and cash and bank balance. The main purpose of these financial liabilities is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarized below.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2023, 2024 and 2025 and as at 30 June 2026.

The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	—	—	—	294,040	294,040
Bills receivables	728,649	—	—	—	728,649
Financial assets included in prepayments, other receivables and other assets					
— Normal**	14,327	—	—	—	14,327
Cash and cash equivalents					
— Not yet past due	730,071	—	—	—	730,071
Total	1,473,047	—	—	294,040	1,767,087

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	—	—	—	636,232	636,232
Bills receivables	938,991	—	—	—	938,991
Financial assets included in prepayments, other receivables and other assets					
— Normal**	53,626	—	—	—	53,626
Cash and cash equivalents					
— Not yet past due	885,866	—	—	—	885,866
Total	1,878,483	—	—	636,232	2,514,715

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2025

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	—	—	—	1,288,884	1,288,884
Bills receivables	1,173,783	—	—	—	1,173,783
Financial assets included in prepayments, other receivables and other assets					
— Normal**	54,983	—	—	—	54,983
Cash and cash equivalents					
— Not yet past due	1,545,192	—	—	—	1,545,192
Total	2,773,958	—	—	1,288,884	4,062,842

As at 30 June 2026

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	—	—	—	3,318,268	3,318,268
Bills receivables	533,407	—	—	—	533,407
Financial assets included in prepayments, other receivables and other assets					
— Normal**	57,562	—	—	—	57,562
Cash and cash equivalents					
— Not yet past due	1,313,787	—	—	—	1,313,787
Total	1,904,756	—	—	3,318,268	5,223,024

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the Historical Financial Information.

Concentrations of credit risk are managed by customer and geographical region. As at 31 December 2023, 2024 and 2025 and as at 30 June 2026, the Group had concentrations of credit risk as 25%, 13%, 43%, 39.1% and 60%, 48%, 63%, 57.8% of the Group's trade receivables were due from the Group's largest customer and five largest customers in each year, respectively.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group monitors its exposure to liquidity risk by monitoring the current ratio, which is calculated by comparing the current assets with the current liabilities.

The Group's objective is to maintain continuity of funding and flexibility through the use of internally generated cash flows from operation and bank borrowings. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

As at 31 December 2023

	Within one year or on demand
	RMB'000
Trade and bills payables	1,502,908
Financial liabilities included in other payables and accruals	136,047
Lease liabilities	28,630
Interest-bearing loans	395,368
Total	2,062,953

As at 31 December 2024

	Within one year or on demand
	RMB'000
Trade and bills payables	2,229,566
Financial liabilities included in other payables and accruals	126,361
Lease liabilities	41
Interest-bearing bank borrowings	350,143
Total	2,706,111

As at 31 December 2025

	Within one year or on demand	Over 1 year	Total
	RMB'000	RMB'000	RMB'000
Trade and bills payables	3,501,977	—	3,501,977
Financial liabilities included in other payables and accruals	69,012	—	69,012
Lease liabilities	35,487	51,005	86,492
Interest-bearing bank borrowings	321,862	—	321,862
Total	3,928,338	51,005	3,979,343

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

As at 30 June 2026

	Within one year or on demand	Over 1 year	Total
	RMB'000	RMB'000	RMB'000
Trade and bills payables	4,263,067	—	4,263,067
Financial liabilities included in other payables and accruals	63,083	—	63,083
Lease liabilities	27,616	42,403	70,019
Interest-bearing bank borrowings	324,646	—	324,646
Total	4,678,412	42,403	4,720,815

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using the debt/asset ratio, which is total liabilities divided by total assets. The debt-to-asset ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	3,951,552	4,954,678	7,326,480	8,881,110
Total liabilities	2,635,897	3,214,258	5,117,923	5,834,704
Asset-liability ratio	66.71%	64.87%	69.86%	65.70%

38. EVENTS AFTER THE RELEVANT PERIODS

There were no significant events after the end of the Relevant Periods that require additional disclosure or adjustments.

39. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2026.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

This Appendix is primarily intended to provide **[REDACTED]** with a summary of the Articles of Association. The following information is only a summary and may not include all materials that may be important to potential **[REDACTED]**.

SHARES AND REGISTERED CAPITAL

Shares of the Company shall be in the form of share certificates and shall be registered shares.

For the issue of shares, the Company adopts the principles of publicity, fairness and impartiality, with each share of the same class having the same rights.

For shares of the same class issued at the same time, the conditions of issuance and the price per share shall be the same; any unit or individual that subscribes for shares shall pay the same price per share.

INCREASE OR DECREASE, REPURCHASE AND TRANSFER OF SHARES

Increase or Decrease of Shares

Based on the needs of operation and development, the Company may, in accordance with the provisions of laws and administrative regulations, and upon resolutions passed separately by the shareholders' meeting, increase its capital by the following means:

(I) issuing shares to unspecified objects;

(II) issuing shares to specific objects;

(III) allotting bonus shares to its existing shareholders;

(IV) converting capital reserve into share capital;

(V) other methods as stipulated by laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed, and provisions of the China Securities Regulatory Commission (CSRC), and approved by the Hong Kong Stock Exchange.

The Company may reduce its registered capital. The Company shall reduce its registered capital in accordance with the procedures stipulated by the Company Law of the People's Republic of China (hereinafter referred to as the "**Company Law**"), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as "**Hong Kong Listing Rules**"), and other relevant regulations and the Articles of Association.

Repurchase of Shares

The Company shall not repurchase its own shares. However, subject to and in compliance with the provisions of laws, administrative regulations and the securities regulatory rules of the place where the Company's shares are listed, the Company may repurchase its own shares under any of the following circumstances:

(I) reducing the registered capital of the Company;

(II) merging with another company that holds shares in the Company;

(III) using shares for employee stock ownership plans or as shareholding incentives;

(IV) acquiring shares held by shareholders (upon their request) who vote against any resolution proposed at any shareholders' meeting on the merger or division of the Company;

(V) using shares to convert the corporate bonds issued by the Company that are convertible to stocks;

(VI) serving as a necessity for the Company to protect its value and shareholders' interests;

(VII) other circumstances as stipulated by laws, administrative regulations, departmental rules, normative documents, the Hong Kong Listing Rules, and other regulatory rules of the place where the Company's shares are listed.

The Company may repurchase its own shares through open centralized trading, or other methods stipulated by laws, administrative regulations, and securities regulatory rules of the place where the Company's shares are listed, and recognized by the CSRC and the Hong Kong Stock Exchange.

Subject to compliance with the applicable securities regulatory rules of the place where the Company's shares are listed, where the Company repurchases its own shares under the circumstances stipulated in items (III), (V) and (VI) of paragraph 1 of Article 25 of the Articles of Association, it shall adopt the open centralized trading method.

Where the Company repurchases its own shares under the circumstances stipulated in items (I) and (II) of paragraph 1 of Article 25 of the Articles of Association, it shall be subject to a resolution by the shareholders' meeting; where the Company repurchases its own shares under the circumstances stipulated in items (III), (V) and (VI) of paragraph 1 of Article 25 of the Articles of Association, it shall be subject to a resolution passed by a Board meeting attended by more than two-thirds of the directors, provided that the applicable securities regulatory rules of the place where the Company's shares are listed are complied with.

After the Company repurchases its own shares in accordance with the provisions of Article 25, provided that the applicable securities regulatory rules of the place where the Company's shares are listed, such shares shall be canceled within 10 days from the date of repurchase if it falls under the circumstances specified in item (I), or be transferred or canceled within six months if it falls under the circumstances specified in items (II) or (IV), or be transferred or canceled within three years if it falls under the circumstances specified in items (III), (V) and (VI), and the total number of the Company's shares held by the Company does not exceed 10% of the total issued shares of the Company.

Transfer of Shares

The Company's shares may be transferred according to law, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed and Articles of Association. Shares that have been issued prior to the Company's **[REDACTED]** shall not be transferred within one year after the date when the Company's shares are **[REDACTED]**.

The Company's directors and senior management members shall report to the Company their holdings of shares in the Company and any changes thereto; the shares they transfer each year during their tenure as determined at the time of taking the office shall not exceed 25% of the total shares of the same class held by them in the Company; and the shares of the Company held by the aforesaid persons shall not be transferred within six months after their resignation.

If laws, administrative regulations, CRSC, the Hong Kong Listing Rules, or other regulatory rules of the place where the Company's shares are listed have other provisions regarding restrictions on the transfer of the Company's shares, such provisions shall prevail.

If a director or senior management member of the Company, or a shareholder holding more than 5% of the Company's shares sells the shares of the Company held by them or other securities with an equity nature within six months after purchase, or purchases such shares or securities within six months after sale, any profit obtained therefrom shall belong to the Company, and the Board of Directors of the

Company shall recover such profit, unless a securities Company holds more than 5% of the shares as a result of purchasing the remaining unsold shares underwritten by it or under any other circumstances prescribed by the CSRC and the Hong Kong Listing Rules.

The shares or other equity-like securities held by the directors, senior management members and natural person shareholders mentioned in the preceding paragraph include those held by their spouses, parents, children and those held through accounts of other persons.

If the Board of Directors of the Company does not observe the provision in paragraph 1 of this article, the shareholders have the right to require the Board of Directors to execute the provision within 30 days. If the Board fails to execute the provision within the aforesaid period, the shareholders have the right to directly file a lawsuit with the people's court in their own names for the interests of the Company.

If the Board of Directors of the Company fails to observe the provision in the first paragraph of this article, the responsible directors shall bear joint liability according to law.

SHAREHOLDERS AND SHAREHOLDERS' MEETINGS

General Rules for Shareholders' Meetings

The Company shall keep a register of shareholders according to the vouchers provided by the securities depository and clearing institution, which register bears adequate evidence of shareholders holding shares of the Company. The Company shall enter into a share custody agreement with the securities registration institution, regularly inquire about the data of major shareholders and changes in their shareholdings (including share pledges), and closely monitor the Company's shareholding structure.

The shareholders of the Company shall be entitled to the following rights:

(I) to obtain dividends and other forms of profit distribution in proportion to the number of shares held;

(II) to lawfully request, convene, preside over or attend shareholders' meetings either in person or by proxy and exercise the corresponding right to speak and vote;

(III) to supervise the Company's business operations, propose recommendations or raise inquiries;

(IV) to transfer, give as gift or pledge their shares in accordance with the laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed, and the Articles of Association;

(V) to inspect and copy the Articles of Association, register of shareholders, minutes of shareholders' meetings, resolutions of Board meetings, and financial and accounting reports; shareholders who meet the relevant regulations may inspect the Company's accounting books and accounting vouchers;

(VI) in the event of termination or liquidation of the Company, to participate in the distribution of the Company's remaining assets in proportion to the number of shares they held;

(VII) with respect to a shareholder who votes against any resolution adopted at any shareholders' meetings on the merger or division of the Company, to request the Company to buy back his/her shares;

(VIII) other rights stipulated by the laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association.

Where the contents of a resolution of the shareholders' meeting or the Board meeting violate the laws or administrative regulations, the shareholders shall be entitled to petition the people's court to declare the resolution invalid.

If the convening procedure and voting method of the shareholders' meeting or the Board meeting run counter to the laws, administrative regulations or Articles of Association, or if the content of any resolution runs counter to the Articles of Association, the shareholders shall be entitled to request the people's court to cancel the said procedure, method or resolution within 60 days after adoption of the resolution. However, this right does not apply to cases where there are only minor defects in the convening procedure or voting method of the shareholders' meeting or the Board meeting and which have no material impact on the resolutions.

The shareholders who are not notified to attend a shareholders' meeting may petition to the people's court for rescission within 60 days from the date on which they become aware or should have become aware of the adoption of the resolution. The right to rescind shall be extinguished if not exercised within one year from the date on which the resolution is adopted.

The shareholders of the Company shall undertake the following obligations:

(I) to comply with the laws, administrative regulations, the Hong Kong Listing Rules and the Articles of Association;

(II) to make payment for shares subscribed for according to the number of shares subscribed for and the method of subscription;

(III) not to exit shares unless in the circumstances stipulated by laws and administrative regulations and the Hong Kong Listing Rules;

(IV) not to abuse shareholders' rights to infringe upon the interests of the Company or other shareholders; not to abuse the Company's status as an independent legal entity or the limited liability of shareholders to damage the interests of the Company's creditors;

(V) other obligations stipulated by laws, administrative regulations, the Hong Kong Listing Rules, and the Article of Association.

General Rules for the Shareholder's Meeting

The shareholders' meeting shall comprise all the shareholders. The shareholders' meeting is the organ of authority of the Company, and shall exercise the following functions and powers pursuant to the law:

(I) to elect and replace directors and to decide on matters relating to the remuneration of directors;

(II) to consider and approve reports of the Board;

(III) to consider and approve the Company's profit distribution proposals and loss recovery proposals;

(IV) to resolve on the increase or reduction of the registered capital of the Company;

(V) to resolve on the issuance of corporate bonds;

(VI) to resolve on the merger, division, dissolution or liquidation of the Company or change of its corporate form;

(VII) to amend the Articles of Association;

(VIII) to resolve on the engagement and dismissal of the accounting firm that undertakes the Company's audit business and the payment of its remuneration;

(IX) to consider matters regarding the Company's purchase or sale of material assets within one year in excess of 25% of the latest audited total assets of the Company;

(X) to consider and approve the transactions stipulated in Article 50 of the Articles of Association;

(XI) to consider and approve the guarantee matters stipulated in Article 44 of the Articles of Association;

(XII) to consider and approve matters relating to the changes in the use of proceeds from share offerings;

(XIII) to consider other issues that should be decided by the shareholders' meeting as stipulated by the laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association.

The shareholders' meeting may authorize the Board of Directors to make resolutions on the issuance of corporate bonds.

The following guarantee-providing actions of the Company shall be considered and approved by the shareholders' meeting:

(I) guarantees of the Company and its controlled subsidiaries with an amount exceeding 50% of the latest audited net assets of the Company;

(II) any guarantee provided after the total amount of Company's external guarantee exceeds 25% of the latest audited net assets of the Company;

(III) guarantees provided to others within one year with an amount exceeding 25% of the latest audited net assets of the Company;

(IV) guarantees provided for guarantee recipients with a debt-to-asset ratio exceeding 70%;

(V) any single guarantee with an amount exceeding 10% of the audited net assets as of the most recent period;

(VI) guarantees provided to shareholders, de facto controllers and their related persons;

(VII) other circumstances stipulated by laws, administrative regulations, and the Hong Kong Listing Rules.

Where the Company provides a guarantee for its wholly-owned subsidiary, or provides a guarantee for a controlled subsidiary while other shareholders of such controlled subsidiary provide guarantees in proportion to their respective interests, and such guarantee falls under the circumstances specified in sub-paragraphs (1), (4), and (5) of the first paragraph of this Article, it may be exempted from submission to the shareholders' meeting for review, unless otherwise required by laws, administrative regulations, or the securities regulatory rules of the place where the Company's shares are listed (including the Hong Kong Listing Rules).

The shareholders' meetings include annual general meetings and extraordinary general meetings. Annual general meetings shall be convened once a year within 6 months from the end of the preceding fiscal year.

The Company shall convene an extraordinary general meeting within two months from the date of occurrence of any of the following circumstances:

(I) the number of directors falls short of the quorum stipulated in the Company Law or is less than two thirds of the number specified in the Articles of Association;

(II) the unrecovered losses of the Company amount to one third of the total amount of its share capital;

(III) shareholder(s) severally or jointly holding more than 10% of the Company's voting shares request(s) in writing the convening of an extraordinary general meeting;

(IV) when deemed necessary by the Board of Directors;

(V) when proposed by the Audit Committee;

(VI) other circumstances as stipulated by the laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association.

Convening of the Shareholders' Meeting

With the consent of more than half of all independent non-executive directors, independent non-executive directors have the right to propose to the Board of Directors to convene an extraordinary general meeting. Where independent non-executive directors propose to convene an extraordinary general meeting, the Board of Directors shall, in accordance with the laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association, reply in writing on whether or not to approve the convening of an extraordinary general meeting within 10 days upon the receipt of the proposal.

If the Board of Directors agrees to convene an extraordinary general meeting, it shall issue a notice to convene the meeting within 5 days after the resolution is passed by the Board. If the Board of Directors does not agree to convene an extraordinary general meeting, it shall state the reasons and make an announcement.

When the Audit Committee proposes to the Board of Directors to convene an extraordinary general meeting, it shall submit the proposal to the Board of Directors in writing. The Board shall, in accordance with the laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association, reply in writing on whether or not to approve the convening of an extraordinary general meeting within 10 days upon the receipt of the proposal. Where the Board agrees to convene an extraordinary general meeting, a notice on the convening of the meeting shall be issued within 5 days after the resolution is passed by the Board, and the changes made to the original proposal in the notice shall be approved by the Audit Committee. Where the Board does not agree to convene the extraordinary general meeting, or fails to reply within 10 days upon the receipt of the proposal, the Board shall be deemed as not being able to perform or not to perform its duty to convene shareholders' meetings, and the Audit Committee may convene and preside over such meeting on its own.

Shareholders who individually or jointly hold more than 10% of the Company's total issued share capital have the right to request the Board of Directors to convene an extraordinary general meeting and shall submit such a request to the Board in writing. The Board shall, in accordance with the laws, administrative regulations, Hong Kong Listing Rules and the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association, reply in writing on whether or not to approve the convening of an extraordinary general meeting within 10 days upon the receipt of the request.

Where the Board agrees to convene the extraordinary general meeting, a notice on convening the meeting shall be issued within 5 days after the resolution is passed by the Board, and the changes made to the original request in the notice shall be approved by relevant shareholders.

If the Board refuses to convene an extraordinary general meeting or fails to give a response within 10 days after receiving the request, shareholders who individually or jointly hold more than 10% of the Company's total issued share capital, have the right to propose to the Audit Committee to convene an extraordinary general meeting and shall submit such a request to the Audit Committee in writing. Where the Audit Committee agrees to convene an extraordinary general meeting, it shall serve a notice of such meeting within 5 days after receipt of the said request. Any change to the original request set forth in the notice shall be subject to approval by relevant shareholders. If the Audit Committee fails to issue a notice for the meeting within the specified time limit, it shall be deemed that the Audit Committee does not convene and preside over the meeting. In such a case, shareholders who individually or jointly hold more than 10% of the Company's total issued share capital, for more than 90 consecutive days may convene and preside over the meeting on their own.

If the Audit Committee or shareholders decide to convene a shareholders' meeting on their own, they must notify the Board of Directors in writing. When issuing the notice of the shareholders' meeting and the announcement of the resolutions of the shareholders' meeting, the Audit Committee or the convening shareholders shall complete all necessary reporting, announcements, or submit relevant supporting materials to the securities regulatory at the place of incorporation and the place where the Company's shares are listed according to the securities regulatory rules of the place where the Company's shares are listed and the regulations of the stock exchange. Before the announcement of the resolutions of the shareholders' meeting, the shareholding ratio of the convening shareholders shall not be less than 10% of the total issued share capital. For the shareholders' meeting convened by the Audit Committee or shareholders on their own, the Board of Directors and the Secretary to the Board shall provide cooperation. The Board of Directors shall provide a register of shareholders as of the equity registration date. For the shareholders' meetings convened by the Audit Committee or shareholders on their own, the Company shall bear the necessary expenses for the meeting.

Proposals and Notices of Shareholders' Meetings

The content of a proposal shall fall within the scope of the shareholders' meeting's powers, have a clear topic and specific resolution items, and comply with relevant provisions of laws, administrative regulations, Hong Kong Listing Rules and the securities regulatory rules of the place where the Company's shares are listed, and the Articles of Association.

When the Company convenes a shareholders' meeting, the Board of Directors, the Audit Committee, and shareholders who individually or jointly hold more than 1% of the Company's total issued share capital have the right to submit proposals to the Company.

Shareholders who individually or jointly hold more than 1% of the Company's total issued share capital, may submit a temporary proposal in writing to the convener 10 days before the convening of the shareholders' meeting. The convener shall, within 2 days after receipt of the proposal, issue a supplementary notice to announce the content of the temporary proposal, and submit the temporary proposal to the shareholders' meeting for consideration, except where the temporary proposal violates laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association, or falls outside the scope of the powers of the shareholders' meeting. If, according to the securities regulatory rules of the place where the Company's shares are listed, the shareholders' meeting must be postponed due to the publication of a supplementary notice for the meeting, then the shareholders' meeting shall be postponed in accordance with the requirements of such securities regulatory rules.

Save as specified in the preceding paragraph, the convener shall not change the proposals set out in the notice of shareholders' meeting or add any new proposal after the said notice is served via announcement.

Proposals not set out in the notice of shareholders' meeting or not complying with the Articles of Association shall not be voted on or resolved at the shareholders' meeting.

The convener shall notify each shareholder in announcements 21 days before an annual general meeting (the starting date for calculating the 21-day period does not include the date of the meeting), and notify each shareholder in writing (including announcements) 15 days before an extraordinary general meeting (the starting date for calculating the 15-day period does not include the date of the meeting).

The notice of a shareholders' meeting shall specify:

(I) the time, place, format and duration of the meeting;

(II) matters and proposals submitted for consideration at the meeting;

(III) a clear statement that all shareholders are entitled to attend the shareholders' meeting and appoint proxies in writing to attend and vote at such meeting and that such proxies need not be shareholders of the Company;

(IV) the equity registration date of shareholders entitled to attend the shareholders' meeting;

(V) the name and telephone number of the coordinator of the meeting;

(VI) where a shareholders' meeting is held via online or other means, the voting time and voting procedure of such means.

Where the election of directors is to be discussed at a shareholders' meeting, the notice convening the shareholders' meeting shall disclose in full the detailed information of the director candidates, which shall include at least the following:

(I) personal particulars, including educational background, work experience, and concurrent positions held;

(II) whether there exists a connected relationship with the Company or its controlling shareholder(s);

(III) the number of shares held in the Company;

(IV) whether the candidate has been subject to any penalties imposed by the China Securities Regulatory Commission or other relevant authorities, or any disciplinary sanctions imposed by a stock exchange;

(V) whether the candidate meets the other qualification requirements for directors as stipulated by laws, administrative regulations, and the regulatory rules of the place where the Company's shares are listed, such as the Hong Kong Listing Rules;

(VI) any other information regarding the director candidate required to be disclosed under the securities regulatory rules of the place where the Company's shares are listed or other applicable provisions.

Each director candidate shall be proposed as a separate resolution.

Holding of Shareholders' Meetings

All shareholders whose names are recorded in the register of shareholders on the record date, or their proxies, are entitled to attend the shareholders' meeting. They can speak at the shareholders' meeting and exercise their voting rights in accordance with relevant laws, administrative regulations, the

securities regulatory rules of the place where the Company's shares are listed and the Articles of Association (except those shareholders who are required to abstain from voting on specific matters in accordance with the securities regulatory rules of the place where the Company's shares are listed).

Shareholders may attend the shareholders' meeting in person. Alternatively, they may appoint one or more persons (who need not be shareholders) as their proxies to attend the meeting on their behalf, and to speak and vote on the meeting.

If an individual shareholder attends the meeting in person, they shall present their ID card or other valid certificates or documents that can prove their identity. If a proxy is appointed to attend the meeting on their behalf, the proxy shall present his/her valid ID card and the power of attorney from the shareholder.

Corporate shareholders shall be represented at the meeting by their legal representatives or the proxies appointed by the legal representatives. The legal representative attending the meeting shall present his/her identity card or valid certificate bearing evidence of his/her qualifications as legal representative; a proxy attending the meeting on behalf of the legal representative shall present his/her identity card and the written power of attorney lawfully issued by the legal representative of the corporate shareholder and sealed with the corporate seal. This does not apply to shareholders who are recognized **[REDACTED]** or their agents as defined by the relevant laws and regulations in force from time to time under Hong Kong law or the securities regulatory rules of the place where the Company's shares are listed.

The power of attorney used by shareholders to appoint proxies to attend the shareholders' meeting shall contain the following information:

(I) name or title of the principal and the category and quantity of the Company's shares held by the principal;

(II) name or title of the proxy;

(III) specific instructions from the shareholder, including instructions on voting in favor, against or abstaining from voting on each item on the agenda of the shareholders' meeting;

(IV) the date of issue and validity period of the power of attorney;

(V) signature (or seal) of the principal; If the principal is a corporate shareholder, the corporate seal shall be affixed; for overseas corporate shareholders without a Company seal, it can be signed by a legally authorized person.

A power of attorney shall contain a statement that, in default of directives, the proxy may vote in his/her discretion.

A shareholder's proxy may, in accordance with the authorization of such shareholder, exercise (including but not limited to) the following rights:

(I) the right of such shareholder to speak at the shareholders' meeting;

(II) the right to demand a poll vote, either alone or jointly with others;

(III) the right to exercise voting rights by way of a poll vote.

If more than one proxy is appointed by a shareholder, such proxies may only exercise voting rights by way of a poll vote.

If the shareholder is a recognized clearing house (or its agent), the shareholder may authorize one or more persons it deems appropriate to act as its representatives at any shareholders' meeting or creditors' meeting. However, if more than one person is authorized, the power of attorney shall specify the number and type of shares involved in the authorization for each such person, and the power of attorney shall be signed by an authorized person of the recognized clearing house. Persons so authorized may exercise the rights on behalf of the recognized clearing house (or its agent) (without presenting shareholding certificates, notarized authorizations and/or further evidence to prove their formal authorization), and shall enjoy the same legal rights as other shareholders, including the rights to speak and vote, as if such persons were individual shareholders of the Company.

Where the proxy voting authorization form is signed by a person authorized by the principal, the power of attorney authorizing signature or other authorization documents shall be notarized. The notarized power of attorney or other authorization documents shall, together with the proxy voting authorization form, be deposited at the Company's domicile or at such other place as specified in the notice of the meeting.

Where the appointer is a legal entity, its legal representative or a person authorized by a resolution of its board of directors or other governing body shall attend the shareholders' meeting as its representative.

If the shareholders' meeting requires the directors and senior management members to be present at the meeting as non-voting delegates, the directors and senior management members shall attend the meeting as non-voting delegates and subject themselves to the inquiries of the shareholders. Subject to compliance with the securities regulatory rules of the place where the Company's shares are listed, the aforementioned persons may attend or participate in the meeting via online, video, telephone, or other means of equivalent effect.

The shareholders' meetings shall be presided over by the chairman of the Board of Directors. Where the chairman cannot or does not fulfill the duty thereof, more than half of the directors may jointly elect a director to preside over the meeting.

A shareholders' meeting convened by the Audit Committee itself shall be presided over by the convener of the Audit Committee. When the convener of the Audit Committee is unable to perform his/her duties or fails to perform his/her duties, one member of the Audit Committee jointly recommended by more than half of the Audit Committee members shall preside over the meeting.

For a shareholders' meeting convened by shareholders on their own, it shall be presided over by the convener or a representative recommended by the convener.

When the presider violates the rules of procedure during the shareholders' meeting, making it impossible to continue the meeting, with the consent of shareholders holding more than half of the voting rights present at the meeting, the shareholders' meeting may elect a person to serve as the presider to continue the meeting.

Voting and Resolutions at Shareholders' Meetings

Resolutions of a shareholders' meeting shall be divided into ordinary resolutions and special resolutions. Ordinary resolutions shall be passed by votes representing more than half of the voting rights held by shareholders (including proxies thereof) attending the shareholders' meeting. Special resolutions shall be passed by votes representing more than two thirds of the voting rights held by shareholders (including proxies thereof) attending the shareholders' meeting.

The following matters shall be approved by ordinary resolutions at a shareholders' meeting:

(I) work reports of the Board of Directors;

(II) profit distribution plan and loss recovery plan formulated by the Board;

(III) the appointment and removal of Board members (including their removal before the expiration of their terms of office, without prejudice to their claims for damages under any contract), as well as their remuneration and methods of payment;

(IV) other matters than those that should be passed by special resolutions pursuant to relevant laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed or the Articles of Association.

The following matters shall be approved by special resolutions at a shareholders' meeting:

(I) increase or decrease of the registered capital of the Company;

(II) division, merger, dissolution and liquidation of the Company or change of its corporate form;

(III) amendment of the Articles of Association;

(IV) within 1 year, the Company's purchase or sale of major assets, external investment, provision of financial assistance, external donations, or other matter, where the amount of such single transactions exceeds 20% of the latest audited total assets of the Company, or the amount of guarantees exceeds 25% of the latest audited total assets of the Company in a consecutive 12 months period;

(V) equity incentive scheme;

(VI) other matters that need to be passed by a special resolution as stipulated by laws, administrative regulations, Hong Kong Listing Rules and the securities regulatory rules of the place where the Company's shares are listed, the Articles of Association, or the rules of procedure of the shareholders' meeting.

Shareholders (including proxies thereof) shall exercise their voting rights as per the voting shares they represent. Each share carries the right to one vote, except for holders of class shares, unless otherwise provided by laws, administrative regulations, departmental rules, regulatory documents, or the securities regulatory rules of the place where the Company's shares are listed. When voting, a shareholder (including a shareholder's proxy) with two or more votes is not required to cast all votes uniformly as in favor of (or against or abstain) from a resolution matter.

Where laws, administrative regulations, departmental rules, regulatory documents, or the securities regulatory rules of the place where the Company's shares are listed require that a shareholders' meeting review major matters affecting the interests of minority investors and that the votes of such investors be counted separately, such requirements shall be complied with. The results of such separate vote counting shall be publicly disclosed in a timely manner (if required) in accordance with the applicable laws, administrative regulations, departmental rules, regulatory documents, and the securities regulatory rules of the place where the Company's shares are listed.

The Company has no voting right for the shares it holds, and such part of shares shall be excluded from the total number of voting shares represented by the shareholders attending the shareholders' meeting.

According to applicable laws and regulations and the Hong Kong Listing Rules, if any shareholder is required to abstain from voting on a resolution matter, or is restricted to only vote in favor of (or against) a resolution matter, the votes cast by such shareholders or their proxies in violation of relevant regulations or restrictions shall not be included in the total number of voting shares.

When a related party transaction is considered at a shareholders' meeting, the related shareholders shall abstain from voting, and the voting shares held by them shall not be counted in the total number of valid votes; the resolution of the shareholders' meeting shall fully disclose the voting results of the non-related shareholders.

DIRECTORS AND THE BOARD OF DIRECTORS

General Provisions on Directors

Directors of the Company shall be natural persons. Any person who falls under any of the following circumstances shall not serve as a director of the Company:

(I) a person without civil capacity or with limited civil capacity;

(II) a person who has been sentenced for corruption, bribery, embezzlement, misappropriation of property, or disrupting the socialist market economic order, or has been deprived of political rights due to a criminal offense, where five years have not elapsed since the completion of the sentence or, in the case of a suspended sentence, two years have not elapsed since the expiration of the probation period;

(III) a person who served as a director, factory director, or general manager of a company or enterprise that entered into bankruptcy liquidation and who was personally liable for the bankruptcy, where three years have not elapsed since the completion of the bankruptcy liquidation;

(IV) a person who served as the legal representative of a company or enterprise whose business license was revoked or which was ordered to close down due to violations of law and who was personally liable for such events, where three years have not elapsed since the date of such revocation or closure;

(V) a person who has a large amount of personal debt that is due and remains unpaid, and who has been listed by a people's court as a discredited judgment debtor;

(VI) a person who is subject to a market entry ban imposed by the csrc, where the ban period has not yet expired;

(VII) a person who has been publicly identified by a stock exchange as unsuitable to serve as a director or senior management member of a listed company, where the period of such unsuitability has not yet expired;

(VIII) other circumstances as prescribed by laws, administrative regulations, departmental rules, or the securities regulatory rules of the place where the company's shares are listed.

Any election, appointment, or engagement of a director in violation of this article shall be invalid. If any director falls under any of the above circumstances during his/her term of office, the Company shall remove such person from the position.

Directors other than those serving as employee representatives shall be elected or replaced by the shareholders' meeting. Each term shall be for a period of three years. Upon expiration of their term of office, a director may stand for re-election, unless otherwise stipulated by relevant laws, administrative regulations, departmental rules, or the securities regulatory rules of the place where the Company's shares are listed. Furthermore, a shareholders' meeting may remove a director from office prior to the expiration of his/her term in accordance with relevant laws, regulations, the Hong Kong Listing Rules, and other applicable securities regulatory rules of the place where the Company's shares are listed.

The term of office of a director shall commence from the date on which such person assumes office and shall end upon the expiration of the current term of the Board. If re-election is not conducted in a timely manner upon the expiry of a director's term, the original director shall continue to perform the duties of a director in accordance with the provisions of laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's shares are listed, and the Articles of Association until the newly elected director assumes office. Subject to compliance with applicable laws, regulations, and regulatory rules of Hong Kong, any person appointed by the Board to fill a casual vacancy on the Board or as an addition to the Board shall hold office only until the first annual general meeting after his/her appointment, at which time such person shall be eligible for re-election.

A director may resign before the expiration of his/her term of office. A written resignation report shall be submitted to the Board in the event of a resignation. The Board shall disclose the relevant information within the period required by the regulatory rules of the place where the Company's shares are listed.

If the resignation of a director results in the number of members of the Board falling below the statutory minimum, such resignation shall not become effective until the vacancy caused by the resignation is filled by a newly appointed director. Before the resignation becomes effective, the resigning director shall continue to perform his/her duties in accordance with laws, administrative regulations, and regulations of the place where the Company's shares are listed and the Articles of Association. Subject to compliance with applicable laws, regulations, and the securities regulatory rules of the place where the Company's shares are listed, if the Board of Directors appoints a new director to fill a casual vacancy or as an addition to the Board, such director shall hold office only until the first annual shareholders' meeting following his/her appointment, at which time he/she shall be eligible for re-election.

Board of Directors

The Board shall comprise nine directors. The Board shall have one employee representative director and three independent non-executive directors. The number of independent non-executive directors shall account for no less than one-third of the total number of Board members and at least one independent non-executive director shall be an accountant professional

The term of office of an independent director shall be the same as that of other directors, but an independent director shall not serve consecutively for more than six years. The Board shall have the power to make decisions on the execution of business operations and day-to-day management. Upon resolutions being adopted by the shareholders' meeting, the Board shall implement such resolutions and be accountable to the shareholders' meeting.

The Board shall exercise the following powers:

(I) to convene the shareholders' meeting and report to the shareholders' meeting on its work;

(II) to implement the resolutions adopted at the shareholders' meeting;

(III) to determine the Company's business plans and investment proposals;

(IV) to formulate the Company's profit distribution and loss recovery plans;

(V) to formulate plans for increasing or reducing the registered capital of the Company, issuing bonds or other securities, and listing;

(VI) to draft plans for major acquisitions, buybacks of the Company's shares, mergers, demergers, dissolution, or changes to the Company's corporate form;

(VII) to determine, within the scope of authority delegated by the shareholders' meeting, matters concerning the Company's external investments, acquisitions and disposals of assets, asset pledges, external guarantees, entrusted wealth management, connected transactions, external donations, and other matters;

(VIII) to determine the organizational structure of the Company's internal management;

(IX) to determine the appointment or dismissal of the president, Secretary to the Board, and other senior management members of the Company, and to decide on matters concerning their remuneration, rewards, and penalties; based on the nomination of the president, to determine the appointment or dismissal of deputy presidents, the chief financial officer, and other senior management members, and to decide on matters concerning their remuneration, rewards, and penalties;

(X) to formulate the Company's basic management systems;

(XI) to formulate proposals for amendments to the Articles of Association;

(XII) to manage matters related to the Company's information disclosure;

(XIII) to submit proposals to the shareholders' meeting for the engagement or replacement of the accounting firm responsible for auditing the Company;

(XIV) to hear the work reports of the president of the Company and review the performance of the president;

(XV) other powers granted by laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's shares are listed, or the Articles of Association.

Unless otherwise provided in the securities regulatory rules of the place where the Company's shares are listed, the Board shall determine the scope of authority for the Company's external investments, acquisitions and disposals of assets, asset pledges, external guarantees, entrusted wealth management, connected transactions, and external donations, and shall establish strict review and decision-making procedures. Major investment projects shall be evaluated by relevant experts or professionals and submitted to the shareholders' meeting for approval.

The Board shall have one chairman and shall be elected and removed by a majority of all directors.

The chairman shall exercise the following powers:

(I) to preside over shareholders' meetings and to convene and preside over Board meetings;

(II) to supervise and inspect the implementation of Board resolutions;

(III) to sign the important Board documents;

(IV) to nominate the candidate for the Company's general manager to the Board for approval;

(V) other powers granted by the Article of Association, shareholder's meeting, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed or the Board.

The Board shall hold at least 4 meetings each year, which shall be convened by the chairman, and all directors shall be notified at least 14 days before the meeting.

Shareholders holding ten percent or more of the total voting rights, individually or collectively, one-third or more of the directors, or the Audit Committee may propose the convening of an extraordinary meeting of the Board of Directors. The Chairman shall, within 10 days of receiving such a proposal, convene and chair a meeting of the Board of Directors.

The notice of an extraordinary Board meeting may be delivered by mail, personal delivery, email or other means approved by the Board of Directors. The notice period shall be no less than 48 hours prior to the date of the meeting.

The notice of the Board Meeting shall include the following issue:

(I) the date and venue of the meeting;

(II) the period of the meeting;

(III) the reasons for convening the meeting and the proposed agenda;

(IV) the date on which the notice is issued;

(V) any other circumstances required by laws, administrative regulations, departmental rules, regulatory documents, the Hong Kong Listing Rules, or other regulatory rules of the place where the Company's shares are listed.

An oral notice of meeting shall include at least the particulars specified in items (I) and (II) above, together with an explanation of the emergency requiring the prompt convening of an extraordinary meeting of the Board of Directors.

A Board meeting shall be convened only when more than one-half of all directors are in attendance. A resolution of the Board shall be adopted only with the approval of more than one-half of all directors. Each director shall have one vote.

Directors who are related to the corporates or individuals involved in the matters to be resolved at a Board meeting, the director shall promptly make a written report to the Board and abstention from voting due to conflict of interest. Such director shall not vote on the resolution in question and shall not vote on behalf of any other director. The Board meeting may be held with the attendance of more than one-half of the disinterested directors, and resolutions shall be passed by more than one-half of the disinterested directors in attendance. If the number of disinterested directors attending the meeting is less than three, the matter shall be submitted to the shareholders' meeting for consideration.

Board meetings shall be attended in person by directors. If a director is unable to attend due to special circumstances, he/she may, by written proxy, authorize another director to attend on his/her behalf. An independent director shall not authorize a non-independent director to vote on his/her behalf. The proxy shall specify the name of the proxy holder, the matters authorized, the scope of authority, and the validity period, and shall be signed or sealed by the principal. The director attending the meeting on behalf of another shall exercise the director's rights within the scope of authorization. A director who neither attends the Board meeting nor authorizes another director to attend on his/her behalf shall be deemed to have waived the right to vote at that meeting.

Resolutions of the Board of Directors shall be adopted by a show of hands or by a poll.

An extraordinary Board meeting may, provided that all directors are afforded full opportunity to express their views, be held and resolutions may be passed by means of communications such as correspondence, fax, or video conference. Resolutions passed shall be signed by the participating directors, provided that the written form of the resolutions and the minutes of the meeting shall be signed thereafter.

Special Committees under the Board

The Company shall establish an Audit Committee within the Board to exercise the powers regulated by the Company Law, the securities regulatory rules of the place where the Company's shares are listed and other powers granted by the Article of Association.

The audit committee shall comprise a minimum of 3 members, all of whom shall be non-executive directors not being the senior management members, and at least one of the independent non-executive directors with appropriate professional qualifications or accounting or related financial expert of the audit committee under the Hong Kong Listing Rules and other regulatory rules of the place where the Company's shares are listed. A majority of the audit committee members must be independent non-executive directors of the Company, and its chairman must be an independent non-executive director.

The Audit Committee shall be responsible for reviewing the Company's financial information and its disclosure, supervising and evaluating internal and external audits and internal controls. The following matters shall be submitted to the Board for deliberation only after being approved by more than half of all members of the Audit Committee:

(I) disclosure of financial and accounting reports and financial information in periodic reports, and internal control evaluation reports;

(II) appointment or dismissal of the accounting firm undertaking the audit of the listed Company;

(III) appointment or dismissal of the chief financial officer of the listed Company;

(IV) changes in accounting policies, accounting estimates, or corrections of significant accounting errors for reasons other than changes in accounting standards;

(V) matters relating to the application of funds, including but not limited to connected transactions, external investments, the provision of financial assistance, and borrowing, shall be subject to review and approval by the Board of Directors.

(VI) other matters as stipulated by laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed, and the Articles of Association.

The Audit Committee shall convene at least one meeting each quarter. An ad hoc meeting may be convened when proposed by two or more members or deemed necessary by the convener. Meetings of the Audit Committee shall only be held when more than two-thirds of the members are present. Resolutions of the Audit Committee shall be passed by more than half of the members. Voting on resolutions of the Audit Committee shall follow a one-person-one-vote rule. Meeting minutes of Audit Committee resolutions shall be prepared in accordance with regulations, and the Audit Committee members attending the meeting shall sign the minutes.

The Board shall establish other relevant special committees such as the Strategy Committee, Nomination Committee, Remuneration Committee and ESG Committee. In the Nomination Committee, the Remuneration Committee, the independent non-executive Directors shall constitute the majority and serve as the chairman.

The rules of procedure for the special committees shall be formulated by the Board.

Senior Management

The Company shall have one general manager, who shall be appointed or dismissed by the Board. The Company may appoint other senior management members, who shall also be appointed or dismissed by the Board.

The Articles of Association concerning disqualification from serving as a director shall also apply to senior management. Article 98 of the Articles of Association concerning the duty of loyalty of directors and Article 99 concerning the duty of diligence shall also apply to senior management. Article 119 of the Articles of Association concerning the resignation of directors shall likewise apply to senior management.

The general manager shall be accountable to the Board and shall exercise the following powers:

(I) preside over the Company's production and operational management, organize the implementation of resolutions of the Board, and report to the Board on their work;

(II) organize the implementation of the Company's annual business plan and investment proposals;

(III) formulate plans for the establishment of the Company's internal management structure;

(IV) formulate the Company's basic management systems;

(V) formulate specific rules and regulations of the Company;

(VI) propose to the Board the appointment or dismissal of other senior management members of the Company;

(VII) decide on the appointment or dismissal of managerial personnel other than those whose appointment or dismissal shall be decided by the Board;

(VIII) the powers of the legal representative of the Company and sign other documents, reports that shall be signed by the legal representative of the Company;

(IX) other powers granted by the Articles of Association or the Board.

The general manager shall attend Board meetings.

FINANCIAL AND ACCOUNTING SYSTEM, PROFIT DISTRIBUTION, AND AUDIT

Financial and Accounting System

The Company shall, in accordance with laws, administrative regulations, and the provisions of relevant state authorities, formulate its financial and accounting system.

The Company shall prepare the financial accounting report and have it audited in accordance with the law by an accounting firm.

In addition to statutory accounting books, the Company shall not establish separate accounting books. The Company's assets shall not be deposited in accounts opened under any individual's name.

When distributing the after-tax profits of the current year, the Company shall allocate 10% of such profits to the statutory reserve fund. Where the cumulative amount of the statutory reserve fund has exceeded 50% of the Company's registered capital, no further allocation is required.

If the statutory reserve fund of the Company is insufficient to cover losses carried forward from previous years, such losses shall be covered first using the profits of the current year before making the allocation to the statutory reserve fund as provided in the preceding paragraph. After allocating to the statutory reserve fund, the Company may, subject to resolution of the shareholders' meeting, further allocate a portion of the after-tax profits to a discretionary reserve fund.

The remaining after-tax profits of the Company, after covering losses and allocating to the reserve funds, shall be distributed to shareholders in proportion to their respective shareholdings, except where otherwise provided in the Articles of Association. Where the shareholders' meeting distributes profits in violation of the Company Law, the shareholders shall return such improperly distributed profits to the Company. Where losses are caused to the Company, the shareholders and the directors and senior management members who are responsible shall be liable for compensation. Shares of the Company held by the Company itself shall not be entitled to profit distribution.

The Company's reserve funds shall be used to cover losses, expand production and operations, or be converted into capital of the Company. When the statutory surplus reserve is converted into an increase in registered capital, the amount of such reserve retained thereafter shall not be less than 25% of the Company's registered capital prior to the conversion.

Internal Audit

The Company shall implement an internal audit system, which shall clearly define the leadership structure, responsibilities and authority, staffing, funding, utilization of audit results, and accountability in relation to internal audit work.

The internal audit system of the Company shall be accountable to the Board.

Engagement of Accounting Firms

The Company shall engage an accounting firm that complies with the Securities Law, the regulatory rules of the place where the Company's shares are listed to provide services including auditing of financial statements, verification of net assets, and other relevant consultancy services. The term of engagement shall be one year and may be renewed.

The engagement or dismissal of an accounting firm and the payment of its remuneration shall be determined by the shareholders' meeting. The Board shall not appoint an accounting firm before the shareholders' meeting has made a decision.

The Company shall provide the engaged accounting firm with true and complete accounting vouchers, accounting books, financial accounting reports, and other accounting materials, and shall not refuse, conceal, or make any false statements.

The audit fees of the accounting firm shall be determined by the shareholders' meeting.

If the Company dismisses or decides not to renew the engagement of an accounting firm, it shall notify the firm three days in advance. When the shareholders' meeting of the Company deliberates the dismissal of the accounting firm, the firm shall be allowed to express its opinion. Where an accounting firm proposes resignation, it shall explain to the Board whether there are any improprieties on the part of the Company.

MERGER, DIVISION, INCREASE AND REDUCTION OF REGISTERED CAPITAL, DISSOLUTION, AND LIQUIDATION

Merger, Division, Increase and Reduction of Registered Capital

The Company may, in accordance with the law, undergo a merger or division. A merger may take the form of an absorption merger or a new establishment merger. In an absorption merger, one Company absorbs other companies, and the absorbed companies shall be dissolved. In a new establishment merger, two or more companies merge to establish a new Company, and all parties to the merger shall be dissolved.

For a merger, the parties to the merger shall enter into a merger agreement and prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within 10 days from the date the merger resolution is adopted, and shall make an announcement within 30 days on stipulated journal, or via the National Enterprise Credit Information Publicity System. Creditors may, within 30 days from the date of receiving the notice, or within 45 days from the date of the announcement if no notice is received, demand that the Company repay debts or provide corresponding guarantees.

In a merger, the surviving Company or the newly established Company shall assume all claims and debts of the parties to the merger.

In the case of a division, the Company's assets shall be divided accordingly.

A balance sheet and an inventory of assets shall be prepared for the division. The Company shall notify its creditors within 10 days from the date the division resolution is adopted, and shall make an announcement within 30 days on stipulated journal, or via the National Enterprise Credit Information Publicity System. Debts incurred before the division shall be borne jointly and severally by the companies after the division, except where the Company has entered into a written agreement with the creditors regarding debt repayment prior to the division.

The Company shall notify its creditors within 10 days from the date the shareholders' meeting adopts the resolution to reduce the registered capital, and shall make an announcement within 30 days in stipulated journal or via the National Enterprise Credit Information Publicity System. Creditors may, within 30 days from the date of receiving the notice, or within 45 days from the date of the announcement if no notice is received, demand that the Company repay debts or provide corresponding guarantees.

Where the Company issues new shares to increase its registered capital, shareholders shall not have preemptive subscription rights, unless otherwise provided in the Articles of Association or resolved by the shareholders' meeting.

Where a merger or division involves changes in registration particulars, such changes shall be registered with the Company registration authority in accordance with the law. Where the Company is dissolved, it shall apply for deregistration in accordance with the law. Where a new Company is established, it shall apply for Company registration in accordance with the law.

Where the Company increases or reduces its registered capital, it shall register the change with the Company registration authority in accordance with the law.

Dissolution and Liquidation

The Company shall be dissolved for any of the following reasons:

(I) the expiration of the business term prescribed in the Articles of Association or the occurrence of any other dissolution event stipulated in the Articles of Association;

(II) dissolution as resolved by the shareholders' meeting;

(III) dissolution due to a merger or division of the Company;

(IV) revocation of the business license, order to close down, or cancelation as imposed in accordance with the law;

(V) where the Company encounters serious difficulties in its operations and management, and its continued existence would cause significant harm to the interests of shareholders, and such difficulties cannot be resolved through other means, shareholders individually or jointly holding more than 10% of the total voting rights of all shareholders may petition the people's court to dissolve the Company.

Where any of the dissolution events set forth in the preceding paragraph occurs, the Company shall disclose the cause of dissolution via the National Enterprise Credit Information Publicity System within ten days.

Where the Company falls under the circumstances described in items (I) or (II) of Article 183 of the Articles of Association and has not yet distributed its assets to shareholders, it may continue to exist by amending the Articles of Association or by resolution of the shareholders' meeting.

An amendment to the Articles of Association or a resolution of the shareholders' meeting in accordance with the preceding paragraph shall be passed by shareholders representing more than two-thirds of the voting rights of the shareholders attending the shareholders' meeting.

Where the Company is dissolved due to the circumstances stipulated in items (I), (II), (IV), or (V) of Article 183 of the Articles of Association, it shall be liquidated. The directors shall be the liquidation obligors of the Company and shall establish a liquidation committee within 15 days from the date the dissolution event arises and commence liquidation. The liquidation committee shall be composed of directors, unless otherwise provided in the Articles of Association or otherwise resolved by the shareholders' meeting. Where the liquidation obligors fail to perform their liquidation duties in a timely manner and cause losses to the Company or its creditors, they shall be liable for compensation.

During the liquidation period, the liquidation committee shall exercise the following powers:

(I) to sort out the assets of the Company and preparing a balance sheet and an inventory of assets respectively;

(II) notifying or announcing to creditors;

(III) handling the Company's unfinished business related to the liquidation;

(IV) paying taxes owed and taxes arising during the liquidation process;

(V) verifying claims and debts;

(VI) distributing any remaining property of the Company after debts have been repaid;

(VII) representing the Company in civil litigation proceedings.

The liquidation committee shall notify creditors within ten days from its establishment and shall make an announcement within sixty days in China Securities Journal, Securities Times, or via the National Enterprise Credit Information Publicity System. Creditors shall declare their claims to the liquidation committee within thirty days from the date of receiving the notice, or within forty-five days from the date of the announcement if the notice was not received. When declaring claims, creditors shall explain the details of their claims and provide supporting documents. The liquidation committee shall register the declared claims. During the claim declaration period, the liquidation committee shall not make any payments to creditors.

Upon completing the verification of the Company's assets and preparation of the balance sheet and the inventory of assets, the liquidation committee shall formulate a liquidation plan and submit it to the shareholders' meeting or the people's court for confirmation. After settling liquidation expenses, employee wages, social insurance premiums, statutory compensations, taxes owed, and repaying the Company's debts, the remaining assets of the Company shall be distributed to shareholders in proportion to their shareholding. During the liquidation period, the Company shall continue to exist but shall not conduct any business activities unrelated to the liquidation. The Company's assets shall not be distributed to shareholders before the payments specified in the preceding paragraph have been made.

If, after verifying the Company's assets and preparing the balance sheet and inventory of assets, the liquidation committee determines that the Company's assets are insufficient to repay its debts, it shall apply to the people's court for bankruptcy liquidation. Upon acceptance of the bankruptcy application by the people's court, the liquidation committee shall transfer the liquidation matters to the bankruptcy administrator designated by the people's court.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report and submit it to the shareholders' meeting or the people's court for confirmation, and file an application with the Company registration authority for deregistration, and announce the termination of the Company.

If the Company is declared bankrupt in accordance with the law, it shall undergo bankruptcy liquidation pursuant to the relevant laws on enterprise bankruptcy.

AMENDMENT TO THE ARTICLES OF ASSOCIATION

Under any of the following circumstances, the Company shall amend the Articles of Association:

(I) where amendments to the Company Law or relevant laws, administrative regulations, or the securities regulatory rules of the stock exchange where the Company's shares are listed result in inconsistencies with the provisions of the Articles of Association;

(II) where changes in the Company's circumstances result in inconsistencies with the matters recorded in the Articles of Association;

(III) where the shareholders' meeting resolves to amend the Articles of Association.

FURTHER INFORMATION ABOUT OUR COMPANY

Incorporation of the company

Our Company was established as a limited liability company in the PRC on January 10, 2017, with limited liability, and was converted into a joint stock limited liability company on December 31, 2025, in accordance with applicable PRC laws and regulations and our Chinese name was renamed from "廣西玉柴船電動力有限公司" to "廣西玉柴船電動力股份有限公司". Our registered office is located at 88 Tianqiao West Road, Yulin, Guangxi Zhuang Autonomous Region, the PRC.

We have established a place of business in Hong Kong at Room 1915, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong and were registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on January 29, 2026. Ms. Mak Sin Yi [has been appointed] as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process on our Company in Hong Kong is the same as our principal place of business in Hong Kong as set out above.

As our Company was established in the PRC, we are subject to relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and our Articles of Association is set out in "Regulatory Overview" and Appendix III to this document, respectively.

Changes in share capital of the company

Save as disclosed in "History, Development and Corporate Structure" in this document, there has been no other alteration in the share capital of our Company within the two years immediately preceding the date of this document.

As of the Latest Practicable Date, the registered capital of our Company was RMB856,000,000 comprising 856,000,000 Unlisted Shares with a nominal value of RMB1.00 each.

Changes in the share capital of our subsidiaries

On July 10, 2025, Yuchai Power Solutions was incorporated in PRC with a registered capital of RMB50 million.

Save as disclosed above, there has been no alteration in the share capital of our subsidiaries within two years immediately preceding the date of this document.

Resolutions passed by Shareholders

Pursuant to the Shareholders' general meeting held on [●], 2026, the following resolutions, among other things, were duly passed:

(a) the **[REDACTED]** by our Company of the H Shares with a nominal value of RMB1.00 each, representing up to **[REDACTED]**% of the total share capital of our Company upon completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised) and such H Shares being **[REDACTED]** on the Stock Exchange;

(b) the granting of the **[REDACTED]** in respect of no more than **[REDACTED]**% of the number of H Shares **[REDACTED]** as mentioned above;

(c) subject to the completion of the filing with the CSRC, upon completion of the **[REDACTED]**, **[REDACTED]** Unlisted Shares held by four existing Shareholders will be converted into H Shares on a one-for-one basis;

(d) subject to the completion of the **[REDACTED]**, the Articles of Association have been approved and adopted which will become effective from the **[REDACTED]**, and the Board and person(s) authorized by the Board have been authorized to amend the Articles of Association in accordance with any comments from the Stock Exchange and the relevant PRC regulatory authorities; and

(e) approving the Board and person(s) authorized by the Board to handle all matters relating to, among other things, the **[REDACTED]** and the **[REDACTED]** of H Shares on the Stock Exchange.

FURTHER INFORMATION ABOUT OUR BUSINESS

Summary of material contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this document that are or may be materials:

(a) the sale and purchase agreement dated August 8, 2025 entered into between Yulin Dayingjia and Yulin Zhongli for the acquisition of approximately 0.04% interest in the Company by Yulin Zhongli at a consideration of RMB543,925.6;

(b) the Deed of Non-Competition;

(c) the Deed of Indemnity; and

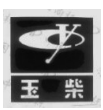
(d) the **[REDACTED]**.

Intellectual property rights

As of the Latest Practicable Date, the Group had registered or had been granted license(s) to use the following intellectual property rights which were material to the Group's business.

Trademarks

As at the Latest Practicable Date, pursuant to a trademark license agreement dated March 30, 2022 and a supplemental agreement dated March 30, 2026 between GY and us, GY agreed to license to us to use the following trademarks on a royalty free basis for a period from December 1, 2021 to December 31, 2031:

No.	Trademark	Class	Registered Owner	Place of registration	Registration number	Validity period
1.		7	GY	PRC	969871	December 1, 2021 to December 31, 2031
2.		7	GY	PRC	1035383	December 1, 2021 to December 31, 2031
3.		7	GY	PRC	1421054	December 1, 2021 to December 31, 2031
4.		7	GY	PRC	1421055	December 1, 2021 to December 31, 2031

No.	Trademark	Class	Registered Owner	Place of registration	Registration number	Validity period
5.		7	GY	PRC	1421059	December 1, 2021 to December 31, 2031
6.		7	GY	PRC	1421056	December 1, 2021 to December 31, 2031
7.		7	GY	PRC	3437133	December 1, 2021 to December 31, 2031
8.		7	GY	PRC	3437132	December 1, 2021 to December 31, 2031
9.		7	GY	PRC	3437135	December 1, 2021 to December 31, 2031
10.		7	GY	PRC	3437136	December 1, 2021 to December 31, 2031
11.		7	GY	PRC	3437134	December 1, 2021 to December 31, 2031
12.		7	GY	PRC	3437146	December 1, 2021 to December 31, 2031
13.		7	GY	PRC	9470143	December 1, 2021 to December 31, 2031
14.		7	GY	PRC	9470170	December 1, 2021 to December 31, 2031
15.		7	GY	PRC	9470188	December 1, 2021 to December 31, 2031
16.		7	GY	PRC	9470240	December 1, 2021 to December 31, 2031
17.		7	GY	PRC	9470222	December 1, 2021 to December 31, 2031

No.	Trademark	Class	Registered Owner	Place of registration	Registration number	Validity period
18.		7	GY	PRC	5468115	December 1, 2021 to December 31, 2031
19.		7	GY	PRC	5730477	December 1, 2021 to December 31, 2031
20.		7	GY	PRC	8288953	December 1, 2021 to December 31, 2031
21.		7, 12, 35, 37	GY	Madrid Protocol	TM202100388	December 1, 2021 to December 31, 2031
22.		7	GY	Madrid Protocol	TM202100259	December 1, 2021 to December 31, 2031
23.		7	GY	Hong Kong	307043210	September 26, 2025 to September 25, 2035
24.		7	GY	Hong Kong	307043229	September 26, 2025 to September 25, 2035
25.		7	GY	Hong Kong	307043193	September 26, 2025 to September 25, 2035
26.		7	GY	Hong Kong	307043201	September 26, 2025 to September 25, 2035

Patents

As of the Latest Practicable Date, we had registered the following patents which we consider to be or may be material to our business:

No.	Patent name	Patent owner	Type of patent	Place of registration	Registration number	Expiry date
1.	High speed marine diesel fenced cylinder head	The Company	Invention	PRC	ZL 201310750078.0	December 31, 2033
2.	High speed marine diesel cylinder support structure	The Company	Invention	PRC	ZL 201310750989.3	December 31, 2033
3.	High speed marine diesel cylinder block	The Company	Invention	PRC	ZL 201310750098.8	December 31, 2033
4.	Intercooler for v-type multi-cylinder engine	The Company	Invention	PRC	ZL 201811251276.1	October 25, 2038
5.	Crankshaft structure with front and rear auxiliary support brackets	The Company	Invention	PRC	ZL 202410852399.X	June 28, 2044
6.	A method for transient load control in an electronically controlled common rail diesel engine	The Company	Invention	PRC	ZL 202210394184.9	April 14, 2042

No.	Patent name	Patent owner	Type of patent	Place of registration	Registration number	Expiry date
7.	Gas blending system	The Company	Invention	PRC	ZL 201811173917.6	October 9, 2038
8.	A method for integrating self-locking function into a controller	The Company	Invention	PRC	ZL 202010689959.6	July 17, 2040
9.	Fuel control method for gas engine intake pressure closed-loop	The Company	Invention	PRC	ZL 202011236046.5	November 9, 2040
10.	Multi-layer thermal balance system for engine exhaust	The Company	Invention	PRC	ZL 201811503344.9	December 10, 2038
11.	A marine engine control method and common rail system	The Company	Invention	PRC	ZL 202011518398.X	December 21, 2040
12.	Transient compensation control system and method for gas generator	The Company	Invention	PRC	ZL 202011050613.8	September 29, 2040
13.	Fuel control method and system for gas engine	The Company	Invention	PRC	ZL 202010467647.0	May 28, 2040
14.	A turbocharged intercooler system enhancing engine response capability	The Company	Invention	PRC	ZL 202210231570.6	March 9, 2042
15.	An engine control method based on engine oil quality	The Company	Invention	PRC	ZL 202210667046.3	June 13, 2042
16.	Anti-stall method for reverse-direction ships	The Company	Invention	PRC	ZL 201910747884.X	August 14, 2039
17.	A camless high-power engine valve train and cylinder head	The Company	Invention	PRC	ZL 202210414208.2	April 14, 2042
18.	Helical top-mounted tightly-wound closed-loop cooling piston-connecting rod assembly	The Company	Invention	PRC	ZL 201810859900.X	August 1, 2038
19.	An engine electronic speed control method and system	The Company	Invention	PRC	ZL 201910884798.3	September 19, 2039
20.	An automatically adjustable water pump assembly for diesel engines	The Company	Invention	PRC	ZL 201510074094.1	February 12, 2035
21.	Gas engine mixer	The Company	Invention	PRC	ZL 202010250612.1	April 1, 2040
22.	Multi-point injection intake manifold for gas engines	The Company	Invention	PRC	ZL 201410487760.X	September 22, 2034
23.	High-speed marine diesel engine cylinder head	The Company	Invention	PRC	ZL 201310750036.7	December 31, 2033
24.	Four-valve diesel engine cylinder head	The Company	Invention	PRC	ZL 201310606161.0	November 25, 2033
25.	Diesel engine cylinder head	The Company	Invention	PRC	ZL 201110141340.2	May 25, 2031

No.	Patent name	Patent owner	Type of patent	Place of registration	Registration number	Expiry date
26.	A gas injection device	The Company	Invention	PRC	ZL 201710800573.6	September 7, 2037
27.	Marine v-type diesel engine cylinder block	The Company	Invention	PRC	ZL 201210001742.7	January 5, 2032
28.	Intercooler water separator tank for v-type diesel engine cooling and lubrication circuits	The Company	Invention	PRC	ZL 201610978676.7	November 8, 2036
29.	Integrated gas engine mixer	The Company	Invention	PRC	ZL 201510670151.2	October 15, 2035
30.	Air filter with intake compensation and active purge cleaning structure	The Company	Invention	PRC	ZL 202211716492.5	December 29, 2042
31.	Gas fuel engine safe starting system and control method	The Company	Invention	PRC	ZL 202210804563.0	July 8, 2042
32.	Power take-off structure at crankshaft front end	The Company	Invention	PRC	ZL 201510237009.9	May 12, 2035
33.	Laser-hardened main bearing cap and its manufacturing method	The Company	Invention	PRC	ZL 201811503275.1	December 10, 2038
34.	Automatic drainage system for marine diesel engine intercoolers	The Company	Invention	PRC	ZL 201510074638.4	February 12, 2035
35.	V-type 12-cylinder diesel engine	The Company	Invention	PRC	ZL 201810123071.9	February 7, 2038
36.	Gas engine intake manifold assembly	The Company	Invention	PRC	ZL 201710408437.2	June 2, 2037
37.	Method and system for controlling speed of electronic-controlled water pump in internal combustion engine	The Company	Invention	PRC	ZL 202011395289.3	December 1, 2040
38.	Oil supply system for v-type multi-cylinder diesel engine	The Company	Invention	PRC	ZL 201810122554.7	February 7, 2038
39.	Cooling system for v-type multi-cylinder diesel engines	The Company	Invention	PRC	ZL 201810122093.3	February 7, 2038
40.	High-power v-type multi-cylinder diesel engine system	The Company	Invention	PRC	ZL 201810122083.X	February 7, 2038
41.	Lubricating oil supply system for v-type multi-cylinder diesel engines	The Company	Invention	PRC	ZL 201810122061.3	February 7, 2038
42.	Double-layer pipe joint for engine fuel supply system	The Company	Invention	PRC	ZL 201510405065.9	July 10, 2035
43.	Method and structure for controlling engine intake air temperature	The Company	Invention	PRC	ZL 202110734797.8	June 30, 2041

No.	Patent name	Patent owner	Type of patent	Place of registration	Registration number	Expiry date
44.	Exhaust gas boosting system with interconnected exhaust pipes	The Company	Invention	PRC	ZL 202110335740.0	March 29, 2041
45.	Control method and system for internal combustion engine intake and exhaust treatment	The Company	Invention	PRC	ZL 202110257619.0	March 9, 2041
46.	A fuel injection pump drive structure, high-pressure common rail system, and engine	The Company	Invention	PRC	ZL 202011518253.X	December 21, 2040
47.	Diesel fuel supply system for v-type multi-cylinder diesel engines	The Company	Invention	PRC	ZL 201810123050.7	February 7, 2038
48.	A control method for over-control function in marine engines	The Company	Invention	PRC	ZL 202011382314.4	December 1, 2040
49.	A crankshaft oil seal press-fit tooling and method for engines	The Company	Invention	PRC	ZL 202010242926.7	March 31, 2040
50.	A monoblock pump core installation method for v-type engine tappet pins	The Company	Invention	PRC	ZL 202010166663.6	March 11, 2040
51.	V-type cylinder block structure enhancing block rigidity and nvh performance	The Company	Invention	PRC	ZL 201910283402.X	April 10, 2039
52.	Cylinder block structure for enhanced rigidity and nvh performance	The Company	Invention	PRC	ZL 201910283396.8	April 10, 2039
53.	V-type 12-cylinder cylinder block	The Company	Invention	PRC	ZL 201910283372.2	April 10, 2039
54.	Rocker arm shaft oil pressure test fixture connector	The Company	Invention	PRC	ZL 201810859749.X	August 1, 2038
55.	Sealing structure for segmented exhaust system	The Company	Invention	PRC	ZL 201810859730.5	August 1, 2038
56.	Distributor structure	The Company	Invention	PRC	ZL 201711064803.3	November 2, 2037
57.	Air-water mixing silencer for marine engines	The Company	Invention	PRC	ZL 201710691585.X	August 14, 2037
58.	Air supply system for marine gas engines	The Company	Invention	PRC	ZL 201710408958.8	June 2, 2037
59.	Water-cooled exhaust pipe	The Company	Invention	PRC	ZL 202010362844.6	April 30, 2040
60.	Water-cooled exhaust pipe	The Company	Invention	PRC	ZL 201910171097.5	March 7, 2039
61.	Sealing structure for thermostat housing	The Company	Invention	PRC	ZL 202210232547.9	March 9, 2042

No.	Patent name	Patent owner	Type of patent	Place of registration	Registration number	Expiry date
62.	Intake valve for intercooler	The Company	Invention	PRC	ZL 201510239042.5	May 12, 2035
63.	Water-cooled exhaust pipe with built-in fixing bolts and installation method	The Company	Invention	PRC	ZL 202011382385.4	December 1, 2040
64.	Crankshaft structure for marine engine and engine	The Company	Invention	PRC	ZL 202010492151.9	June 3, 2040
65.	Oil-gas separator structure for marine engines	The Company	Invention	PRC	ZL 201910116795.5	February 15, 2039
66.	Power take-off structure for v-type diesel engine	The Company	Invention	PRC	ZL 202010758894.6	July 31, 2040
67.	Intercooler assembly for v-type multi-cylinder diesel engine	The Company	Invention	PRC	ZL 201810123109.2	February 7, 2038
68.	Multi-stage oil-gas separation system for engine and its control method	The Company	Invention	PRC	ZL 202011319356.3	November 23, 2040
69.	High-efficiency oil-gas separation system and engine thereof	The Company	Invention	PRC	ZL 202110962673.5	August 20, 2041
70.	Connecting structure for engine components	The Company	Invention	PRC	ZL 202110677985.1	June 18, 2041
71.	Submerged marine engine mounting base assembly and installation method thereof	The Company	Invention	PRC	ZL 202010380392.4	May 8, 2040
72.	Engine for unmanned boat	The Company	Invention	PRC	ZL 202110179134.4	February 8, 2041
73.	A distributor	The Company	Invention	PRC	ZL 201910282753.9	April 10, 2039
74.	A piston removal and lifting fixture	The Company	Invention	PRC	ZL 202211669121.6	December 23, 2042
75.	A diesel generator power train for easy installation and removal	The Company	Invention	PRC	ZL 202110676458.9	June 18, 2041
76.	A fixed base for diesel generator sets facilitating installation	The Company	Invention	PRC	ZL 202111152105.5	September 29, 2041
77.	Thermostat housing	The Company	Invention	PRC	ZL 201910282700.7	April 10, 2039
78.	Diesel engine filter housing	The Company	Invention	PRC	ZL 201611120504.2	December 8, 2036
79.	A segmented water-cooled exhaust manifold	The Company	Invention	PRC	ZL 202011517083.3	December 21, 2040
80.	An engine oil-gas separation system	The Company	Invention	PRC	ZL 202110960802.7	August 20, 2041
81.	A diesel supply system for v-type multi-cylinder engines reducing pressure fluctuations	The Company	Invention	PRC	ZL 202010243791.6	March 31, 2040

No.	Patent name	Patent owner	Type of patent	Place of registration	Registration number	Expiry date
82.	A diesel supply system for in-line large multi-cylinder engines reducing pressure fluctuations	The Company	Invention	PRC	ZL 202010242919.7	March 31, 2040
83.	A dual-side intake control method and intake system for v-type gas engines	The Company	Invention	PRC	ZL 202011382384.X	December 1, 2040
84.	An engine with heat dissipation and cooling mechanism	The Company	Invention	PRC	ZL 202210232579.9	March 9, 2042
85.	An engine exhaust pipe insulation device	The Company	Invention	PRC	ZL 202210436706.7	April 25, 2042
86.	An engine cylinder heat dissipation device	The Company	Invention	PRC	ZL 202210232591.X	March 9, 2042
87.	A diesel generator set for convenient oil replacement	The Company	Invention	PRC	ZL 202210231612.6	March 9, 2042
88.	A new energy power battery heat dissipation device	The Company	Invention	PRC	ZL 202210232548.3	March 9, 2042
89.	High-power v-type 16-cylinder diesel engine	The Company	Invention	PRC	ZL 201810122575.9	February 7, 2038
90.	Circuitry implementing ecu identification of load divider signal identification	The Company	Invention	PRC	ZL 201810859822.3	August 1, 2038
91.	Large-scale diesel nodular crankshaft in high boost	The Company	Invention	PRC	ZL 201810859775.2	August 1, 2038
92.	External support structure of crankshaft	The Company	Invention	PRC	ZL 201911213049.4	December 2, 2039
93.	A marine heat exchange assembly device	The Company	Invention	PRC	ZL 201710249607.7	April 17, 2037
94.	A marine heat exchange assembly structure	The Company	Invention	PRC	ZL 201710249611.3	April 17, 2037
95.	High-power v-type 12-cylinder diesel engine	The Company	Invention	PRC	ZL 201810123073.8	February 7, 2038
96.	An automatic self-replenishing system for automatic gantry oil	The Company	Invention	PRC	ZL 202410852409.X	June 28, 2044
97.	A water-containing monitoring method and system for engine fuel	The Company	Invention	PRC	ZL 202210432174.X	April 22, 2042
98.	A fuel control method and system for large-cylinder-diameter high-power gas engine	The Company	Invention	PRC	ZL 202410857058.1	June 28, 2044
99.	A high-pressure oil pipe interface connection structure	The Company	Invention	PRC	ZL 202411029989.9	July 30, 2044

No.	Patent name	Patent owner	Type of patent	Place of registration	Registration number	Expiry date
100.	A novel intelligent fuel leakage control system	The Company	Invention	PRC	ZL 202510233800.6	February 28, 2045
101.	A high-safety multifunctional fuel delivery device and control method	The Company	Invention	PRC	ZL 202410693397.0	May 31, 2044
102.	A diesel oil filter monitoring device and method	The Company	Invention	PRC	ZL 202411951935.8	December 27, 2044
103.	A self-starting system for diesel engine generator set	The Company	Invention	PRC	ZL 202310782424.7	June 29, 2043
104.	A dual-fuel double-common rail system engine	The Company	Invention	PRC	ZL 202411735341.3	November 29, 2044
105.	An ultrasonic fuel consumption measuring device for ship	The Company	Invention	PRC	ZL 202211435872.1	November 16, 2042
106.	Cylinder heads that are compatible with a variety of fuels	The Company	Invention	PRC	ZL 202410852401.3	June 28, 2044
107.	A real-time load calculation method for ship	The Company	Invention	PRC	ZL 202211667950.0	December 23, 2042
108.	A method for reducing white smoke generated when dpf parking is regenerated	The Company	Invention	PRC	ZL 202310973456.5	August 3, 2043
109.	Pre-heating device for internal combustion engine	The Company	Invention	PRC	ZL 202311058430.4	August 22, 2043
110.	An efficient recycling-type integrated gas mixing control method	The Company	Invention	PRC	ZL 202310834527.3	July 7, 2043
111.	Hydrogen-doped mixed gas supply method for natural gas generator set	The Company	Invention	PRC	ZL 202310834515.0	July 7, 2043
112.	A vehicle locking function-based engine control method	The Company	Invention	PRC	ZL 202311268182.6	September 28, 2043

Domain name

As of the Latest Practicable Date, we had registered the following domain name which we consider to be material in relation to our business:

No.	Domain Name	Registered Owner	Registration Date
1.	https://www.yuchaicd.com	Company	April 20, 2022

Save as disclosed above, as of the Latest Practicable Date, there were no other trademarks, domains, copyrights, intellectual property rights, or individual property rights which are or may be material in relation to our business.

FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Service contracts and letters of appointment

Each of our executive Directors and non-executive Directors has entered into a service contract with our Company, and we [have issued] letters of appointment to each of our independent non-executive Directors. The service contracts with each of our executive Directors and non-executive Directors are for an initial fixed term of three years commencing from the date of such agreement. The letters of appointment with each of our independent non-executive Directors are for an initial fixed term of one year. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles and the applicable Listing Rules.

Save as disclosed above, none of our Directors has entered, or has proposed to enter, into a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

Remuneration of Directors

The aggregate emoluments paid and benefits in kind granted by our Group (including fees, salaries, allowances and other benefits, discretionary bonuses, retirement scheme contributions and equity-settled share-based payments) to our Directors for FY2023, FY2024, FY2025, 1H2025 and 1H2026 were RMB3.7 million, RMB9.4 million, RMB9.1 million, RMB2.9 million and RMB1.2 million, respectively.

Under the arrangements currently in force, we estimate the aggregate remuneration of our Directors for the year ending December 31, 2026 to be approximately RMB8.4 million.

Save as disclosed above, no other payments have been made or are payable, in respect of FY2023, FY2024 and FY2025, by any of member of our Group to any of our Directors.

Agency fees or commissions paid or payable

Save as disclosed in "**[REDACTED]**" in this document, no commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of our Company or any of our subsidiaries have been granted within two years immediately preceding the issue of this document.

Disclosure of interests

Interests of our Directors and the chief executive

Immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), the interests or short positions of our Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which

will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are **[REDACTED]**, will be as follows:

		As of the Latest Practicable Date		Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)[1]	
Name of Directors and the chief executive	**Nature of Interest**	**Number of the Shares**	**Approximate percentage of interest in the Company**	**Number of Shares**	**Approximate percentage of interest in the Company**
Mr. Ning	Interest in controlled corporations[2]	36,743,244	4.29%	**[REDACTED]**	**[REDACTED]**%
	Interest of concert parties[3]	819,256,756	95.71%	**[REDACTED]**	**[REDACTED]**%
Mr. Chen	Interest in controlled corporations[4]	14,324,324	1.67%	**[REDACTED]**	**[REDACTED]**%
	Interest of concert parties[5]	841,675,676	98.33%	**[REDACTED]**	**[REDACTED]**%

Notes:

(1) All interests are long positions.

(2) As at the Latest Practicable Date, Yulin Changyingjia was operated and represented by its executive partner, Mr. Ning, an executive Director of our Company. Hence, for the purpose of SFO, Mr. Ning is deemed to be interested in 36,743,244 Shares held by Yulin Changyingjia.

(3) Pursuant to the acting in concert arrangement among Yulin Changyingjia, Yulin Dayingjia, Yulin Zhongli and GYMCL, Mr. Ning, as the executive partner of Yulin Changyingjia, is deemed to be interested in 819,256,756 shares as interest of concert parties for the purpose of the SFO.

(4) As at the Latest Practicable Date, Yulin Dayingjia was operated and represented by its executive partner, Mr. Chen, a non-executive Chairman of the Board and non-executive Director of our Company. Hence, for the purpose of SFO, Mr. Chen is deemed to be interested in 14,324,324 Shares held by Yulin Dayingjia.

(5) Pursuant to the acting in concert arrangement among Yulin Changyingjia, Yulin Dayingjia, Yulin Zhongli and GYMCL, Mr. Chen, as the executive partner of Yulin Dayingjia, is deemed to be interested in 841,675,676 shares as interest of concert parties for the purpose of the SFO.

Interests of the substantial shareholders

Save as disclosed in "Substantial Shareholders" in this document, the Directors are not aware of any other person who will, immediately following the **[REDACTED]** (and the **[REDACTED]** of any additional H Shares pursuant to the **[REDACTED]**), have an interest or short position in Shares or underlying Shares of the Company, which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company.

Competing interests of Directors

None of our Directors or his/her respective close associates are interested in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

Disclaimers

Save as disclosed in this document:

(a) none of our Directors nor any of the persons listed in "— OTHER INFORMATION — Qualifications of Experts" below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this document, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(b) none of our Directors nor any of the persons listed in "— OTHER INFORMATION — Qualifications of Experts" below is materially interested in any contract or arrangement with our Group subsisting at the date of this document which is significant in relation to the business of our Group as a whole;

(c) save in connection with the **[REDACTED]**, none of the persons listed in "— Other Information — Qualifications of Experts" below has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(d) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules), or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in our Company's five largest customers and five largest suppliers for each year or period of the Track Record Period, respectively.

OTHER INFORMATION

Employee Share Incentive Plan

As of the Latest Practicable Date, the two employee share incentive platforms of our Company, namely Yulin Changyingjia and Yulin Zhongli held, in aggregate, 41,675,676 Shares, representing 4.87% of the equity interests in our Company.

The following is a summary of the principal terms of the Employee Share Incentive Plan approved and adopted by our Shareholder's meeting on June 20, 2024. The terms of the Employee Share Incentive Plan are not subject to the provisions of Chapter 17 of the Listing Rules as the Employee Share Incentive Plan does not involve the grant of options or awards by our Company after the **[REDACTED]**. As of the Latest Practicable Date, the awards under the Employee Share Incentive Plan have been fully granted and vested and all grantees have paid their respective amount of subscription price in full. In addition, the underlying Shares under the Employee Share Incentive Plan had already been issued, no new Shares will be issued pursuant to such plans.

See "History, Development and Corporate Structure — Limited Partnership Platforms — Equity Incentive Platforms — Yulin Changyingjia and Yulin Zhongli" in this document for further details of the Employee Share Incentive Plan.

(a) ***Objective***

The purpose of the Employee Share Incentive Plan is to, among other, maintain the stability of the Company's management and key personnel, establish and enhance long-term effective incentives, improve the remuneration and performance assessment system, and strengthen corporate cohesion and market competitiveness.

(b) ***Eligibility***

Persons eligible to participate in the Employee Share Incentive Plan (the "**Participants**") include directors, senior management members and employees of our Company or its subsidiaries who can contribute to the development of our Company.

(c) ***Total number of the underlying shares of the incentive plans***

As of the Latest Practicable Date, participants shall be interested in a total of 41,675,676 Shares through holding the limited partnerships in the Yulin Changyingjia and Yulin Zhongli, the underlying Shares of which were corresponding to the share capital of our Company of RMB20.8 million and representing 4.87% of the share capital of our Company in issue immediately prior to the **[REDACTED]**.

(d) ***Scheme administration***

The Employee Share Incentive Plan is subject to the approval of our Shareholders and is managed by our Board, who has the power, among other things, (i) to formulate, revise and implement of the Employee Share Incentive Plan, and (ii) to determine the grant plan, including the selection of grantees, the number of shares to be granted, etc.

(e) ***Lock-up Period and Restrictions on Disposal***

Shares granted under the Employee Share Incentive Plan are subject to a lock-up period ("**Lock-up Period**"), during which they may not be assigned, disposed of, transferred, pledged, gifted, or used as security or to repay debts, nor may any rights attach to such shares be disposed of in any manner. The lock-up period commences on the grant date and ends three years after the date on which the Company's shares are listed on a domestic or overseas stock exchange. Where the Company has not completed a listing within 10 years from the grant date and is not in the process of a listing application upon expiry of that 10-year period, the lock-up period shall be deemed to expire 10 years from the grant date.

(f) ***Withdrawal and Cancelation***

During the Lock-up Period, in the event where the participant's employment contracts or appointment agreements are terminated for various reasons (excluding the situation of change of employing entities between the Company and its controlled subsidiaries), a party designated by our Board ("**Designated Party**") shall have the right (but not the obligation) to require the relevant participant to transfer all of their partnership interests to the Designated Party within 30 days from the date of notice of termination. The transfer price shall be calculated as 80% of the relevant participants' share of the Company latest audited net assets value.

Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries under the laws of the PRC.

Indemnities

GYMCL have entered into the Deed of Indemnity with and in favor of our Company (for itself and as trustee for the Group) (being the contract referred to in paragraph (c) in "— Further Information About Our Business — Summary of material contracts" in this Appendix) to provide indemnities in respect of, any reasonable costs, charges, expenses, penalties and other liabilities in connection with legal defects of our Leased Land and Main Leased Properties, further details of which are referred to in "Business — Properties" in this document.

Litigation

As of the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against any member of our Group, that would have a material and adverse effect on our Group's results of operations or financial conditions, taken as a whole.

Joint Sponsors

The Joint Sponsors have made an application on our behalf to the **[REDACTED]** of the Hong Kong Stock Exchange for the **[REDACTED]** of, and **[REDACTED]**, the H Shares to be **[REDACTED]** as mentioned in this document. All necessary arrangements have been made enabling the H Shares to be admitted into **[REDACTED]**.

The Joint Sponsors satisfy the independence criteria applicable to the sponsor set out in Rule 3A.07 of the Listing Rules. Pursuant to the engagement letters entered into between our Company and each of the Joint Sponsors, the total fees of the Joint Sponsors payable by us to it in respect of its service as the sponsors in connection with the proposed **[REDACTED]** on the Hong Kong Stock Exchange is HK$4,000,000.

Compliance Advisor

Our Company has appointed Anglo Chinese Corporate Finance, Limited as the compliance advisor upon **[REDACTED]** in compliance with Rule 3A.19 of the Listing Rules.

Qualifications of Experts

The qualifications of the experts, as defined under the Listing Rules, who have given opinions in this document, are as follows:

Name	Qualification
China Merchants Securities (HK) Co., Limited	A licensed corporation to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
China Galaxy International Securities (Hong Kong) Co., Limited	A licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor
JunHe LLP	Legal advisors to our Company as to PRC laws
Frost & Sullivan	Independent industry consultant
King & Wood	Legal advisors as to international sanctions law

Each of the experts named above has given and has not withdrawn their respective written consents to the issue of this document with the inclusion of their reports and/or letters (as the case may be) and the references to their names included in the form and context in which they are respective included.

As of the Latest Practicable Date, none of the experts named above had any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Binding Effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections (44A and 44B) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) so far as applicable.

Bilingual document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

No Material Adverse Change

Save as disclosed in this document, our Directors confirm that there has been no material adverse change in the financial or trading position of our Company since June 30, 2026 (being the date to which the latest consolidated financial statements of our Group were prepared).

Taxation of Holders of H Shares

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.10% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of any Hong Kong securities, including H Shares (in other words, a total of 0.20% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed stamp duty of HK$5.00 is currently payable on any instrument of transfer of H Shares.

Preliminary Expenses

We have not incurred any material preliminary expenses.

Promoters

The promoters of our Company are the four shareholders of our Company, namely GYMCL, Yulin Changyingjia, Yulin Dayingjia and Yulin Zhongli. Save as disclosed in the section headed "History, Development and Corporate Structure" in this document, within the two years preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoter in connection with the **[REDACTED]** and the related transactions described in this document.

Miscellaneous

Save as disclosed in this document, within the two years immediately preceding the date of this document:

(a) neither we nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;

(b) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(c) no commissions, discounts, brokerage or other special terms have been granted or agreed to be granted in connection with the issue or sale of any shares or loan capital of our Company or any of our subsidiaries;

(d) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;

(e) our Company is not presently listed on any stock exchange or traded on any trading system;

(f) there is no arrangement under which future dividends are waived or agreed to be waived;

(g) our Directors confirm that there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this document; and

(h) our Directors confirm that our Company has no outstanding convertible debt securities or debentures.

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE ON DISPLAY

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the material contracts referred to in "Statutory and General Information — Further Information about Our Business — Summary of Material Contracts" in Appendix IV to this document; and

(b) the written consents referred to in "Statutory and General Information — Other Information — Qualifications of Experts" in Appendix IV to this document.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the Stock Exchange's website at **www.hkexnews.hk** and the Company's website at **www.yuchaicd.com** during a period of 14 days from the date of this document:

(a) the Articles of Association;

(b) the audited consolidated financial statements of our Group for FY2023, FY2024 and FY2025;

(c) the Accountants' Report from Ernst & Young, the text of which is set out in Appendix I to this document;

(d) the report from Ernst & Young on the unaudited **[REDACTED]** financial information of our Group as of the text of which is set out in Appendix II to this document;

(e) the material contracts referred to in "Statutory and General Information — Further Information about our Business — Summary of Material Contracts" in Appendix IV to this document;

(f) the written consents referred to in "Statutory and General Information — Other Information — Qualifications of Experts" in Appendix IV to this document;

(g) the service contracts and letters of appointment referred to in "Statutory and General Information — Further Information about our Directors, Supervisors, Senior Management and Substantial Shareholders — Particulars of Directors' and Supervisors' Service Contracts and Appointment Letters" in Appendix IV to this document;

(h) the legal opinions issued by JunHe LLP, our PRC Legal Advisor, in respect of, among other things, the general corporate matters and property interests of our Group under the PRC law;

(i) the industry report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. referred to in "Industry Overview";

(j) the legal memorandum issued by King & Wood, our legal advisors as to international sanctions laws in respect of international sanctions risk analysis;

(k) a copy of the following PRC laws, together with unofficial English translations:

  (i) the PRC Company Law;

  (ii) the PRC Securities Law; and

  (iii) the Trial Measures.