ZHAOWEI

Stock Code : 003021.SZ
Stock Code : 2692.HK

跨山海 启新航

ACROSS SEAS

SET NEW SAILS

2025 年度報告 ANNUAL REPORT

深圳市兆威机电股份有限公司

Shenzhen Zhaowei Machinery & Electronics Co., Ltd.

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

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Li Haizhou *(Chairperson)*
Ms. Xie Yanling *(Vice Chairperson)*
Mr. Ye Shubing
Mr. Li Ping

Employee Representative Director

Mr. Lu Zhiqiang

Independent Non-Executive Directors

Ms. Guo Xinmei
Dr. Zhou Changjiang
Mr. Lin Sen

AUDIT COMMITTEE

Ms. Guo Xinmei *(Chairperson)*
Dr. Zhou Changjiang
Mr. Lin Sen

REMUNERATION AND APPRAISAL COMMITTEE

Dr. Zhou Changjiang *(Chairperson)*
Ms. Guo Xinmei
Mr. Ye Shubing

NOMINATION COMMITTEE

Ms. Guo Xinmei *(Chairperson)*
Dr. Zhou Changjiang
Mr. Li Haizhou

STRATEGY AND ESG COMMITTEE

Mr. Li Haizhou *(Chairperson)*
Ms. Xie Yanling
Mr. Ye Shubing
Mr. Li Ping
Dr. Zhou Changjiang

COMPLIANCE ADVISOR

Guosen Securities (HK) Capital Company Limited
Suites 3207-3212, Level 32
One Pacific Place, No. 88 Queensway
Hong Kong

REGISTERED OFFICE IN THE PRC

Room 101, Office Building
No. 62 Yanhu Road
Yanchuan Community
Yanluo Subdistrict
Bao'an District
Shenzhen City
PRC

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Room 101, Office Building
No. 62 Yanhu Road
Yanchuan Community
Yanluo Subdistrict
Bao'an District
Shenzhen City
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1910, 19/F Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

JOINT COMPANY SECRETARIES

Mr. Niu Dongfeng
Ms. Cheng Choi Ha *(ACG HKACG)*

AUTHORIZED REPRESENTATIVES

Mr. Li Haizhou
Ms. Cheng Choi Ha

H SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

HONG KONG LEGAL ADVISER

Baker & McKenzie
14/F, One Taikoo Place
979 King's Road, Quarry Bay
Hong Kong

PRC LEGAL ADVISER

AllBright Law Offices (Shenzhen)
21-23/F, Tower 1
Excellence Century Centre
Fu Hua Third Road, Futian District
Shenzhen City
PRC

INTERNATIONAL AUDITOR

Ernst & Young
Certified Public Accountants and Registered Public Interest Entity Auditor under the Accounting and Financial Reporting Council Ordinance
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

PRC AUDITOR

BDO China Shu Lun Pan Certified Public Accountants LLP
4th Floor, No. 61, East Nanjing Road
Shanghai
PRC

PRINCIPAL BANKS

Industrial and Commercial Bank of China Shenzhen Fuyong Branch
1/F, No. 349 Fuyong Avenue
Fuyong Town, Bao'an District
Shenzhen City, Guangdong province
PRC

Bank of Ningbo Shenzhen Branch
G/F, Huangting Building
Jintian Road, Futian District
Shenzhen City, Guangdong Province
PRC

STOCK CODE

A Shares: 003021 (Shenzhen Stock Exchange)
H Shares: 2692 (Hong Kong Stock Exchange)

WEBSITE OF THE COMPANY

http://www.szzhaowei.net

DATE OF REPORT

30 March 2026

DEFINITIONS

In this report, unless the context otherwise requires, the following terms or phrases shall have the following meanings:

"2024 Share Incentive Scheme"	the share incentive scheme approved at the third meeting of the third session of the Board held on August 7, 2024 and the second extraordinary general meeting of the Company held on August 28, 2024
"A Share(s)"	domestic shares of the Company with a nominal value of RMB1.00 each, which are listed on the Shenzhen Stock Exchange and traded in Renminbi
"A Shareholder(s)"	holder(s) of the A Share(s)
"Board" or "Board of Directors"	the board of Directors of the Company
"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Hong Kong Listing Rules
"China" or "the PRC"	the People's Republic of China
"Company Law"	the Company Law of the People's Republic of China
"Company", "the Company", "we", "us" or "our"	Shenzhen Zhaowei Machinery & Electronics Co., Ltd. (深圳市兆威機電股份有限公司), a PRC company established on 19 April 2001, the A Shares of which are listed on the Shenzhen Stock Exchange (stock code: 003021), and the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 2692)
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	the director(s) of the Company
"domestic China" or "Mainland China"	mainland China, for the purpose of this report only, excluding Hong Kong, Macau and Taiwan
"H Share(s)"	foreign share(s) of the Company with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
"H Shareholder(s)"	holder(s) of the H Share(s)
"HK" or Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing Date"	9 March 2026, the date on which the H Shares of the Company were listed and commenced trading on the Main Board of the Hong Kong Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Hong Kong Listing Rules
"Reporting Period"	1 January 2025 to 31 December 2025
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Securities Law"	the Securities Law of the People's Republic of China
"Share(s)"	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, comprising A Shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"year-on-year"	compared with the same period last year
"Zhaowei", "Zhaowei Group", "the Group", "our Group" or "we"	the Company and its consolidated subsidiaries
"%"	percent

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the results of Shenzhen Zhaowei Machinery & Electronics Co., Ltd. (the "**Company**" or "**Zhaowei Machinery & Electronics**"), its subsidiaries and its controlled entities (the "**Group**") for the year ended 31 December 2025 (the "**Year**" or "**Reporting Period**").

The year of 2025 marked the culmination of the "14th Five-Year" Plan and a pivotal year of profound transformation in the global technology industry as well as the accelerated rise of the intelligent equipment and precision manufacturing sectors. Amid multiple challenges such as macroeconomic fluctuations and intensifying industry competition, the Company has remained steadfast in its vision and mission: "Advancing the future of micro drive technology to empower a smarter and better life for all". Through the concerted efforts of all colleagues, we have delivered an annual performance characterized by steady progress, improved quality and enhanced efficiency.

I. STEADY AND SOLID STEPS TO ACHIEVE ROBUST GROWTH IN OPERATING RESULTS

Over the past year, the Company hit a new high in operating results. In 2025, the Company recorded revenue of RMB1,716 million, representing a year-on-year increase of 12.52%; net profit attributable to shareholders of the listed company was RMB255 million, representing a year-on-year increase of 13.20%, demonstrating simultaneous improvement in both scale and profitability.

As a provider of integrated micro transmission and drive system solutions, the Company has consistently strengthened our core technological moat under our "1+1+1" integrated innovation system of "transmission system + micro motor system + electronic control system". Under our core business segments, in the intelligent automotive field, serving as the Company's business foundation, we deepened strategic partnerships with global leaders such as Bosch, BYD and Changan, achieving new design-wins and mass production in several key projects including those in smart cockpits and drive-by-wire chassis. In the robotics field, the Company successfully launched a new generation of bionic dexterous hand series products in July 2025, and mass production of the Company's dexterous hands was progressing steadily. Meanwhile, our businesses in consumer and healthcare technology and advanced industrial and intelligent manufacturing expanded steadily, demonstrating the effectiveness of our diversified portfolio and laying a solid foundation for the Company's long-term growth.

II. INNOVATION LEADS THE WAY TO BUILD LONG-TERM COMPETITIVE BARRIERS

The Company has always regarded innovation as our core driving force. In 2025, our R&D investment amounted to RMB174 million, up 12.36% year-on-year. Leveraging our "1+1+1" integrated innovation system (synergistic integration of transmission systems, micro motor systems and electronic control systems), we continued to enhance R&D efficiency. As of the end of 2025, the Company has been granted a total of 650 intellectual property rights (including 102 invention patents), with a steady increase in the number of granted patents. Going forward, the Company will maintain ongoing efforts in high-intensity R&D investment and the commercialization of our achievements, thereby reinforcing the Company's technological leadership and market competitiveness in micro transmission and micro drive systems.

III. PRACTICING SUSTAINABLE DEVELOPMENT AND FULFILLING SOCIAL RESPONSIBILITY

While driving business growth, the Company has deeply integrated ESG concepts into its corporate governance and operations. In strict compliance with regulatory requirements of domestic and overseas authorities, including the CSRC and the Hong Kong Stock Exchange, the Company continuously improve its corporate governance structure and internal control systems to safeguard the legitimate rights and interests of shareholders, especially minority shareholders. The Board of Directors and the management team of the Company perform their respective duties and work efficiently in tandem, ensuring a more scientific and standardized decision-making processes as well as more timely and transparent information disclosure, and make all-out efforts in maintaining compliant operations and a strong reputation in the A+H dual capital markets.

In 2025, the Company actively embraced the concept of green development by promoting cleaner production, energy conservation and emission reduction to build a resource-efficient and environment-friendly enterprise. We value talent development and employee care, providing our employees with broad career platforms and fostering a positive, inclusive and progressive corporate culture. We also actively participated in public welfare initiatives, fulfilled our social responsibilities and gave back to society through concrete actions, demonstrating the warmth and commitment of a technology company.

IV. LOOKING AHEAD: OVERCOME HEADWINDS TO EMBARK ON A NEW VOYAGE

The year of 2026 is the first year for the "15th Five-Year" Plan. The global wave of intelligence and automation is unstoppable, bringing explosive growth opportunities in smart vehicles, robotics, advanced industrial and intelligent manufacturing sectors. The Company will seize this historic opportunity by focusing on our core business of micro transmission and drive systems, strengthening our presence in global market and reinforcing the synergies of the "A+H" dual capital platform, in a bid to drive higher-quality and more sustainable development of the Company.

We are fully aware that only by embracing long-termism, committing to technological innovation and maintaining customer-oriented approach can we achieve steady and far-reaching development in the fierce industrial competition globally. As always, the Company will maintain a formidable presence in our core segments with steady steps, an innovative spirit and a pragmatic approach, creating value for our global customers and delivering returns to our shareholders.

We sincerely thank our shareholders, customers, and partners for their continued trust and support, and all our employees for their hard work and dedication.

Standing at the new starting point of the "A+H" dual platform, we will move forward with greater confidence, a clearer strategy and more concrete actions, working hand in hand with all shareholders to jointly write a new chapter of high-quality development for Zhaowei Machinery & Electronics!

CHAIRMAN'S STATEMENT

FORWARD LOOKING STATEMENTS

There can be no assurance that any forward-looking statements regarding the Group set out in this report or any of the matters set out therein are attainable, will actually occur or will be realised or are complete or accurate. Shareholders of the Company (the "**Shareholders**") and/or potential investors of the Company are advised to exercise caution when dealing in the securities of the Company and not to place undue reliance on the information disclosed herein. Any holder of securities or potential investor of the Company who is in doubt is advised to seek advice from professional advisors.

APPRECIATION

I would like to take this opportunity to thank our Shareholders, investors and business parties for their continuing support to the Group, and to my colleagues for their valuable contribution during the Year.

By order of the Board
Shenzhen Zhaowei Machinery & Electronics Co., Ltd.
Mr. Li Haizhou
Executive Director and Chairman of the Board

Hong Kong, 30 March 2026

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The table below sets forth the absolute amounts and percentages of the Company's revenue by business segment for 2025 and 2024:

	2025		2024		Change
	RMB million	% of Revenue	RMB million	% of Revenue	
Automotive products	**1,104.8**	**64.40%**	895.11	58.71%	23.43%
Consumer and healthcare technology products	**453.57**	**26.44%**	487.71	31.99%	-7.00%
Industrial and manufacturing products	**130.98**	**7.63%**	126.33	8.29%	3.68%
Embodied robotics products	**23.87**	**1.39%**	6.01	0.39%	297.17%
Others	**2.32**	**0.14%**	9.44	0.62%	-75.42%
Total	**1,715.53**	**100.00%**	1,524.6	100.00%	12.52%

In 2025, the Company achieved revenue of RMB1,715.53 million, representing a year-on-year growth of 12.52% as compared with the year of 2024, of which (i) revenue from automotive products amounted to RMB1,104.8 million, representing a year-on-year increase of 23.43%; (ii) revenue from consumer and healthcare technology products reached RMB453.57 million, representing a year-on-year decrease of 7%; and (iii) revenue from industrial and manufacturing products amounted to RMB130.98 million, representing a year-on-year increase of 3.68%; and (iv) revenue from embodied robotics products amounted to RMB23.87 million, representing a year-on-year increase of 297.17%.

From a business segment perspective, the revenue from automotive products was of RMB1,104.8 million for the year ended 31 December 2025, representing a year-on-year increase of 23.43%, primarily driven by the growing demand from several major customers in the automotive industry for various products such as screen movement actuators, tailgate actuators, and chassis sector products which can integrated into their end products, as we are able to meet their expanding business and manufacturing needs through these products.

The revenue from consumer and healthcare technology products was of RMB453.57 million for the year ended 31 December 2025, representing a year-on-year decrease of 7%, primarily due to a decline in sales of products applying integrated micro transmission and drive systems, including those used for functions such as interpupillary distance adjustment in VR/AR glasses.

The revenue from industrial and manufacturing products for the year ended 31 December 2025 was RMB130.98 million, representing a year-on-year increase of 3.68%, primarily driven by the fulfillment of several major orders for our drum motor products.

The revenue from embodied robotics products for the year ended 31 December 2025 was RMB23.87 million, representing a year-on-year increase of 297.17%, mainly due to our expanded outreach to new customers in the embodied robotics sector and growing demand from existing customers, driven in part by the rapid development of the embodied robotics industry. Participants in this sector are showing increasing demand for various products, such as planetary reduction gearboxes and right-angle geared motors, which are integrated into their end products (e.g., cobots and service robots) to achieve functions such as torque amplification and speed reduction.

From a regional contribution perspective, in 2025, revenue from Mainland China amounted to RMB1,514.86 million, representing a year-on-year increase of 15.45%; revenue from other countries or regions amounted to RMB200.68 million, representing a year-on-year decrease of 5.52%. The following table sets forth the absolute amounts and their respective percentages of total revenue of the Company by region for 2025 and 2024:

	2025		2024		**Change**
	Amount RMB million	**% of Total revenue**	Amount RMB million	% of Total revenue	
Mainland China	**1,514.86**	**88.30%**	1,312.19	86.07%	15.45%
Other countries or regions	**200.68**	**11.70%**	212.41	13.93%	-5.52%
Total	**1,715.53**		1,524.60		

Cost of Sales

Our cost of sales increased by 8.93% from RMB1,049.03 million for 2024 to RMB1,142.73 million for 2025, primarily due to (1) an increase in cost of materials, and (2) an increase in manufacturing overhead costs, generally in line with the growth of our revenue over the same period.

Gross Profit and Gross Profit Margin

Our gross profit increased by 20.45% from RMB475.57 million for the year ended 31 December 2024 to RMB572.81 million for the year ended 31 December 2025, generally in line with the growth of our revenue over the same period.

Our gross profit margin increased from 31.2% for the year ended 31 December 2024 to 33.4% for the year ended 31 December 2025. The improvement was primarily due to a higher proportion of our products being applied in areas with greater innovation requirements and higher technical complexity.

Selling and Marketing Expenses

Our selling and marketing expenses primarily consisted of (i) employee benefit expenses, which primarily represented the salaries, bonuses and other benefits for our sales and marketing personnel, including share-based payment expenses, (ii) traveling and business development expenses incurred by our sales and marketing personnel and (iii) advertising and market promotion expenses. Our selling and marketing expenses increased by 10.00% from RMB60.28 million for the year ended 31 December 2024 to RMB66.31 million for the year ended 31 December 2025, which was primarily attributable to the expansion of our sales network to support business development, as well as increased advertising, exhibition and promotional expenses for new product launches, which contributed to relatively strong revenue growth.

General and Administrative Expenses

Our general and administrative expenses primarily consisted of (i) employee benefit expenses, which primarily represented the salaries, bonuses and other benefits for our administrative personnel, including share-based payment expenses, (ii) depreciation and amortization, (iii) taxes and surcharges; (iv) consulting and other professional service fees, such as fees for engaging third-party consultants for professional advice on areas of improvements of our business, and audit fees; (v) traveling and business activities expenses incurred by our administrative personnel; and (vi) office expenses. Our general and administrative expenses increased by 33.97% from RMB93.62 million for the year ended 31 December 2024 to RMB125.43 million for the year ended 31 December 2025, which was primarily attributable to the commencement of operations at our Suzhou Industrial Park facilities, resulting in an increase in administrative headcount, as well as higher staff costs in line with revenue growth and increased share-based payment expenses.

Research and Development ("R&D") Costs

Our research and development costs primarily consisted of (i) employee benefit expenses, which primarily represented the salaries, bonuses and other benefits for our research and development personnel, including share-based payment expenses, (ii) research materials costs involved in our research and development activities, which also include the costs of prototypes and molds, (iii) depreciation and amortization, and (iv) research processing expenses, representing outsourced service fees for manufacturing and processing products in our R&D process. Our research and development costs increased by 12.35% from RMB155.14 million for the year ended 31 December 2024 to RMB174.30 million for the year ended 31 December 2025, which was primarily attributable to increased investment in the research and development of new products, the recruitment of industry talent, an overall increase in the remuneration levels of R&D personnel, and an increase in the number of R&D personnel. The Company has maintained a high level of investment in research and development, with the ratio of R&D expenses to revenue remaining relatively stable.

Other Income and Gains

Our other income and gains primarily consisted of (i) government grants, which primarily represented incentives and awards granted for our research and development initiatives and manufacturing upgrades that were recognized in profit or loss during the relevant periods, (ii) additional deduction of VAT and other tax reliefs, (iii) bank interest income; (iv) other interest income from debt investment at FVTOCI, which mainly represented our negotiable certificate of deposit; (v) investment income from and fair value gains on financial assets at FVTPL, mainly in connection with our wealth management products; and (vi) foreign exchange gains, net, which mainly arose from our cash and cash equivalents, trade receivables and trade payables denominated in U.S. Dollars. Our other income and gains decreased by 16.87% from RMB94.36 million for the year ended 31 December 2024 to RMB78.44 million for the year ended 31 December 2025, which was primarily attributable to the decrease in returns from wealth management products.

Impairment Losses on Financial Assets, Net

Our impairment losses on financial assets, net decreased by 94.46% from RMB6.33 million for the year ended 31 December 2024 to RMB0.35 million for the year ended 31 December 2025, primarily attributable to enhanced lifecycle management of accounts receivable, which led to improved collection performance and recovery of long-outstanding receivables, resulting in the reversal or reduction of impairment provisions. In addition, the Company continued to optimize its customer portfolio, leading to a steady improvement in asset quality.

Share of Losses of an Associate

Our share of losses of an associate decreased by 74.98% from RMB5.39 million for the year ended 31 December 2024 to RMB1.35 million for the year ended 31 December 2025, primarily attributable to the improvement in the operating performance of the associate.

Income Tax Expense

Our income tax expense increased by 10.87% from RMB19.30 million for the year ended 31 December 2024 to RMB21.39 million for the year ended 31 December 2025, primarily attributable to the increase in our taxable income during the year.

Finance Costs

Our finance costs consisted of interest expenses on our borrowings and lease liabilities. Our finance costs increased from RMB2.41 million for the year ended 31 December 2024 to RMB2.54 million for the year ended 31 December 2025, primarily attributable to an increase in interest expenses arising from the discounting of bank acceptance bills issued by state-controlled and nationally listed commercial banks.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 13.2% from RMB225.42 million for the year ended 31 December 2024 to RMB255.18 million for the year ended 31 December 2025. Our profit margin for the year increased from 14.79% for the year ended 31 December 2024 to 14.87% for the year ended 31 December 2025, primarily attributable to (i) the Company's efforts in deepening market expansion and optimizing its product mix, and (ii) the Company strengthened its cost and expense control during the Reporting Period, resulting in a growth in profit in line with revenue growth.

Financial Position

The table below sets forth the absolute amounts from the Company's consolidated statement of financial position as of 31 December 2025 and 31 December 2024:

	31 December 2025 RMB million	31 December 2024 RMB million
Total non-current assets	**1,264.32**	1,182.51
Total current assets	**3,053.47**	2,939.40
Total assets	**4,317.79**	4,121.91
Total non-current liabilities	**85.25**	92.93
Total current liabilities	**749.55**	802.77
Total liabilities	**834.80**	895.70
Equity attributable to owners of the Company	**3,482.99**	3,226.21
Net assets	**3,482.99**	3,226.21

The Company's total non-current assets increased from RMB1,182.51 million as of 31 December 2024 to RMB1,264.32 million as of 31 December 2025, primarily due to our increased procurement of equipment to enhance manufacturing capacity, as well as continued investment in plant construction to support operational expansion.

The Company's total current assets increased from RMB2,939.40 million as of 31 December 2024 to RMB3,053.47 million as of 31 December 2025, mainly due to the reallocating existing funds and new cash inflows to different types of products in order to strengthen our cash management.

The Company's total non-current liabilities decreased from RMB92.93 million as of 31 December 2024 to RMB85.25 million as of 31 December 2025, primarily due to the depreciation of right-of-use assets and the scheduled repayment of lease liabilities.

The Company's total current liabilities decreased from RMB802.77 million as of 31 December 2024 to RMB749.55 million as of 31 December 2025, mainly due to (i) the adoption of a short-term profit-oriented financing model through structured entities, (ii) a decrease in construction payables, and (iii) the exercise of restricted share awards in 2025.

The Company's net assets increased from RMB3,226.21 million as of 31 December 2024 to RMB3,482.99 million as of 31 December 2025, primarily driven by the Company's operating profits generated in 2025 and the exercise of certain share options during the Reporting Period.

Cash Flow

The table below sets forth the absolute amounts from the Company's consolidated statement of cash flows for 2025 and 2024:

	2025 RMB million	2024 RMB million
Net cash generated from operating activities	**159.41**	123.68
Net cash (used in)/from investing activities	**(197.42)**	(69.78)
Net cash generated from/(used in) financing activities	**(3.06)**	77.33
Net increase/(decrease) in cash and cash equivalents	**(41.06)**	131.23
Cash and cash equivalents at beginning of the year/period	**224.82**	91.73
Effects of foreign exchange rate changes	**(1.97)**	1.85
Cash and cash equivalents at end of the year/period	**181.78**	224.82

In 2025, the Company's net cash generated from operating activities amounted to RMB159.41 million. The difference between the net cash generated from operating activities and the profit before tax of RMB276.57 million was primarily attributable to, after adjustments for the following items: (1) certain non-cash and non-operating items, mainly including bank interest income of RMB10.36 million, depreciation of property, plant and equipment of RMB97.15 million, depreciation of right-of-use assets of RMB5.50 million, share of loss of an associate company of RMB1.35 million, net impairment of trade receivables and bills receivable of RMB0.30 million, investment income from financial assets at fair value through profit or loss of RMB3.35 million, net fair value gains on financial assets at fair value through profit or loss of RMB21.21 million, and share-based payment expenses of RMB12.47 million; and (2) working capital changes affecting cash flows, mainly including a decrease in trade payables and bills payable of RMB43.06 million and a decrease in deferred income of RMB2.10 million, partially offset by working capital changes with a negative impact on cash flows, mainly including (i) an increase in trade receivables and bills receivable of RMB16.59 million; (ii) an increase in inventories of RMB22.08 million; and (iii) an increase in prepayments, other receivables and other assets of RMB6.85 million, primarily due to the capitalization of listing expenses and prepaid taxes.

In 2025, the Company's net cash used in investing activities amounted to RMB197.42 million, primarily due to the purchase and construction of property, plant and equipment of RMB168.93 million, as well as the impact of various investment activities and the related proceeds and investment income, including (1) the purchase of debt investments at fair value through other comprehensive income of RMB292.31 million, partially offset by proceeds from disposal of such debt investments of RMB173.01 million; (2) the purchase of time deposits of RMB135.00 million, partially offset by proceeds from redemption of time deposits of RMB217.33 million; and (3) the purchase of financial assets at fair value through profit or loss of RMB1,106.94 million, partially offset by proceeds from disposal of the above financial assets, mainly relating to certain wealth management products, of RMB1,172.47 million.

In 2025, the Company's net cash used in financing activities amounted to RMB3.06 million, primarily due to new bank borrowings of RMB428.40 million and proceeds from the exercise of share options of RMB22.82 million, partially offset by annual equity distribution of RMB68.23 million and repayment of bank borrowings of RMB369.00 million.

Working Capital and Financial Resources

The Company maintains sufficient cash and cash equivalents to ensure capital flexibility. The Company's cash and cash equivalents mainly comprise cash at banks, cash in hand, and short-term bank deposits with initial terms within three months. The Company's cash and cash equivalents decreased from RMB224.82 million as of 31 December 2024 to RMB181.78 million as of 31 December 2025. This decrease was mainly due to the increase in net cash flows used in investing activities.

Our primary use of cash is to fund our working capital requirements and payment for the purchase of property, plant and equipment for production. During the Reporting Period, we financed our capital expenditures and working capital requirements primarily through our existing cash, cash generated from our operations, and, to a much lesser extent, through bank borrowings. Going forward, we believe that our liquidity requirements will be satisfied with cash generated from our operations, net proceeds from the Global Offering, and other debt and equity financing from time to time according to our needs. Taking into account the financial resources available to us, including cash and cash equivalents and operating cash inflows, our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months.

As of 31 December 2025, the Group had not used any financial instruments for hedging purposes. We have continued to maintain a healthy and sound financial position and have followed a set of funding and treasury policies to manage our capital resources and mitigate potential risks involved.

Our interest-bearing bank borrowings primarily consisted of bank loans, discounted notes receivable and discounted letter of credit. Our discounted notes receivable arose from certain notes receivables accepted by PRC banks, for which we retained substantial risks and rewards (including default risks), and continued to recognize the full carrying amounts of the discounted notes and the associated borrowings. The Company obtains financing based on market interest rates and its capital operation plans. The Company's bank loans and bonds are sourced from commercial banks and financial institutions in Mainland China and other countries or regions. The table below sets forth the absolute amounts of our borrowings as of 31 December 2025 and 31 December 2024:

	31 December 2025 RMB million	31 December 2024 RMB million
Bank loans – unsecured	**0**	9.01
Discounted notes receivable – unsecured	**169.64**	82.17
Discounted letter of credit – unsecured	**0**	49.80
Total	**169.64**	140.98

Bank loans of the Group for the year ended 31 December 2025 decreased from RMB9.01 million to nil as compared with the year ended 31 December 2024, primarily as a result of the full repayment of bank loans by the Company. The discounted notes receivable of the Group increased from RMB82.17 million to RMB169.64 million in 2025, primarily due to bill financing arising from the discounting of bank acceptance bills issued within the Group.

The discounted letter of credit unsecured of the Group decreased from RMB49.80 million for the year ended 31 December 2024 to nil for the year ended 31 December 2025, primarily because the discounted letter of credit unsecured had matured and were repaid.

The Company expects that there will be no material changes in the financing available to support its operations in the future.

The Company maintains a prudent capital ratio to support its business and manages its asset structure through asset-liability ratio. The table below sets forth the absolute amounts of total assets, total liabilities, and the asset-liability ratio as of 31 December 2025 and 31 December 2024:

	31 December 2025	31 December 2024
Total assets *(RMB million)*	**4,317.79**	4,121.91
Total liabilities *(RMB million)*	**834.80**	895.70
Asset-liability ratio	**19.33%**	21.73%

The Company's asset-liability ratio, defined as the proportion of total liabilities to total assets, decreased from 21.73% as of 31 December 2024 to 19.33% as of 31 December 2025. This decrease was primarily due to an increase in net assets of RMB256.78 million in 2025 and an increase in capitalized listing expenses in connection with the Global Offering.

The Company maintains a healthy cash flow level. In 2025, the Company's operating cash conversion ratio (defined as net cash generated from operating activities divided by annual profit) was 0.62 times. The cash generated from operating activities of the Company was used to support business operations. As of 31 December 2025, monetary assets accounted for more than 5.95% of the Company's total current assets.

Capital Commitment

The following table sets forth our capital commitments as of the dates indicated.

	31 December 2025 RMB million	31 December 2024 RMB million
Contracted, but not provided for purchase of property, plant and equipment	**67.01**	116.95

Capital Expenditure

Our capital expenditures primarily related to purchases of property, plant and equipment, and, to a much lesser extent, additions of other intangible assets (i.e., software). The Company's capital expenditure in 2025 was RMB170.52 million, which remains relatively stable as compare with that of RMB168.64 million in 2024.

The Company will fund these capital expenditures through cash generated from operations and proceeds from the Global Offering.

Contingencies

As of 31 December 2025, we did not have any material contingent liabilities, guarantee or any litigation or claim of material importance, pending or threatened against any member of our Group.

Foreign Exchange Risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. We will mitigate such a risk by constantly reviewing the economic situation and foreign exchange risk, and applying hedging measures when necessary.

We have not implemented any hedging arrangements. We manage our foreign exchange risk by closely monitoring the movement of the foreign currency rates. Cash repatriation from the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

Pledged Assets

As of 31 December 2025, the Group had bank deposits of RMB35.2 million pledged as security mainly for wealth management products.

Off-Balance Sheet Arrangements

As of 31 December 2025, we had no material off-balance sheet arrangements.

Material Acquisitions and Disposals and Significant Investment

We did not have any material acquisitions and disposals and significant investments during the year ended 31 December 2025.

Future Plans for Material Investments and Capital Assets

Save as disclosed in (i) the section headed "Future Plans and Use of Proceeds" in the Prospectus, as of 31 December 2025, we did not have detailed future plans for material investments or capital assets.

BUSINESS REVIEW

I. Principal Business Activities Engaged by the Company during the Reporting Period

(I) Product Introduction

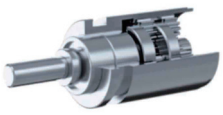
The Company specializes in the research and development, production and sales of micro transmission and drive systems, and provides one-stop micro drive system solutions for various customers.

Under our "1+1+1" tri-integrated strategy, the Company leverages the synergistic integration of our micro transmission, micro motor and electronic control systems to create a comprehensive competitive edge across the entire value chain, from core components to intelligent integrated solutions.

In the field of micro transmission, the Company offers a range of self-developed gear parts and micro gearbox series, which form a core part of our "1+1+1" tri-integrated framework. Relying on advanced mold molding and machining processes, the Company is capable of independently manufacturing core components, including plastic injection gears, powder-metallurgy gears, metal powder injection molded gears and machined metal gears, with gear precision reaching industry-leading standards. Moreover, the Company's planetary gearboxes are widely applied in fields requiring high precision and miniaturization, such as medical devices, embodied robotics and advanced manufacturing.

In the field of micro motors, such systems serve as the power core for various micro drive solutions and are required to feature high efficiency, compact size, and superior torque performance. The Company has independently developed multiple motor product series, including brushed DC motors, brushless DC motors, and coreless motors, which simultaneously possess high power density, low cogging torque, strong overload capacity, and excellent heat dissipation performance.

In the field of motor control, the Company has independently developed high-precision micro electronic control systems. These electric drive modules adopt stable, reliable, and modular designs suitable for various application scenarios, featuring high performance standards and the capability to be customized according to the specific requirements of different drive components. Meanwhile, the Company is equipped with industry-leading Siemens SMT placement lines and consistently adheres to rigorous quality control standards.



Micro Transmission Systems

Micro Motor Systems

Electronic Control Systems

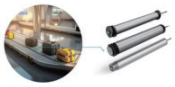
The Company's micro transmission and drive systems feature high precision, compact size, and low noise, which enable them to meet the application needs of downstream industries. The Company's products can be applied in various sectors such as intelligent automotive, consumer and healthcare technology, advanced industry and smart manufacturing, and robotics. An introduction to our products applicable to the main application scenarios across these sectors is as follows:

Application Area	Product Name	Illustration	Product Introduction
Intelligent Automotive	Central Control Screen Tilting Actuator		ZHAOWEI central control screen tilting actuator utilizes a combination of a DC motor, parallel transmission and worm gear transmission to achieve speed reduction and torque amplification. This mechanism drives the main shaft, which holds the screen, enabling the vehicle's central control screen to rotate 15° to the left or right, allowing it to face either the driver or the front passenger.
	Central Control Screen Rotation Actuator		ZHAOWEI central control screen rotation actuator uses a combination of a brushless DC motor, a single-stage worm gear and parallel transmission to drive the screen's 0-90° rotation between landscape and portrait orientations. A built-in buffer structure at the end-stop positions ensures smoother and more stable screen movement.
	Thermal Management Actuator		ZHAOWEI thermal management actuator consists of a brushless DC motor and a gear transmission module. It drives a ball valve to regulate the flow distribution across different pipelines, maintaining the motor and battery within their optimal temperature range and enabling efficient thermal utilization.

Application Area	Product Name	Illustration	Product Introduction
	LiDAR Adjustment Module		ZHAOWEI LiDAR adjustment module utilizes a stepper motor combined with a worm and helical gear structure to enable dynamic positioning of LiDAR components – either deploying the radar emitter outward from the vehicle or retracting it inside. This design enhances the radar's detection range and flexibility, enabling 360-degree environmental sensing and improving driving safety in complex conditions.
	Automotive Rear Spoiler Drive System		ZHAOWEI automotive rear spoiler drive system uses a DC motor combined with a planetary gearbox and parallel transmission to achieve speed reduction and torque amplification. It drives the spoiler's movement via a connected shaft, counteracting complex aerodynamic forces to alter the spoiler's angle and enhance its stability.
	Rear Ceiling-Mounted Screen Actuator		It primarily consists of a brushless motor coupled with a 5-stage gear reduction mechanism, complemented by two locking mechanisms, a driven mechanism, and a control board. This configuration enables functions such as stepless position holding, intelligent anti-pinch, diagnostics, self-test, and OTA.
	EPB System Actuator		ZHAOWEI EPB system actuator controls the parking brake via electronic circuitry, functioning similarly to a mechanical handbrake. It uses a motor and transmission system to actuate the caliper, thereby securing the vehicle when parked.

Application Area	Product Name	Illustration	Product Introduction
Consumer and Healthcare Technology	Learning Tablet Camera Module		ZHAOWEI's external camera solution for learning tablets integrates the camera module into the tablet body, achieving a more streamlined and unified product design. With the pop-up camera mechanism, users can easily angle the camera downward to capture textbook content, enabling seamless hybrid learning experiences both online and offline. Our solution not only enhances the user experience for students but also adds to the product's sense of technological sophistication.
	IPD Adjustment Module		ZHAOWEI IPD adjustment module is a device that adjusts the distance between the two lenses of smart wearable equipment to match the user's interpupillary distance, primarily applied in VR headsets and VR glasses. Through advanced processes and sophisticated design, this product simplifies assembly, enhances transmission efficiency and adjustment precision, and reduces operational noise, thereby lowering costs and improving efficiency while ensuring an optimal viewing experience for the user.
	Robotic Lawn Mower Drive System		ZHAOWEI robotic lawn mower micro drive system features a brushless motor paired with a multi-stage parallel gear transmission, enabling speed reduction and torque amplification. This system drives the rotation of the wheels, providing the necessary propulsion for forward and backward movement.

Application Area	Product Name	Illustration	Product Introduction
	Floor Scrubber Drive System		ZHAOWEI floor scrubber drive system consists of a DC motor and a parallel gear transmission mechanism. It can be equipped with a high-performance motor to work in coordination with manufacturers to enable the scrubber's roller brush cleaning and suction inlet self-cleaning functions. This product can also be designed with dustproof and waterproof features according to customer requirements.
	Minimally Invasive Electric Surgical Stapler Drive System		ZHAOWEI minimally invasive electric surgical stapler drive system employs a motor-driven planetary gearbox transmission to control the forward and backward movement of the stapling mechanism, thereby facilitating suturing. It features high torque output, a compact structure, and low noise operation.
	Insulin Injection Pump		ZHAOWEI insulin injection pump utilizes a stepper motor paired with a parallel transmission mechanism. A lead screw and nut assembly drives the injection piston, delivering insulin subcutaneously according to the required dosage, thereby precisely controlling the amount of insulin injected. It features smooth operation and low noise, making it suitable for most insulin injection devices.
	Orthopedic Surgical Wound Irrigation Pump System		ZHAOWEI orthopedic surgical wound irrigation pump system is designed to regulate irrigation flow during orthopedic surgeries. This product controls flow using a DC motor combined with a face gear transmission. Its multi-level flow regulation function allows for appropriate selection based on surgical requirements to control the output flow rate.

Application Area	Product Name	Illustration	Product Introduction
Advanced Industry and Smart Manufacturing	Drum Motor Drive System		ZHAOWEI ZWG drum motor series represents a new generation of integrated drum motor with built-in "motor, gearbox and electronic control system". It is characterized by compact size, easy assembly and simple operation. It is widely used in applications such as food transportation, industrial automation, and airport/high-speed rail security screening.
	Air/water Valve Actuators		Our air/water valve actuators feature an integrated design that combines electronic control, gearbox transmission and drive motor. They offer a certain degree of self-locking capability and are characterized by their compact size, high temperature resistance, strong load capacity, low noise, cost-effectiveness and long service life.
	5G Base Station RCU Module		The Company provides customers with a comprehensive RCU module that includes both hardware and drive module design. When integrated with the customer's software system, it enables remote adjustment of the downtilt angle of base station antenna radiation signals, allowing for precise control of network coverage position and range.
	Micro Transmission Module for Antenna Feed System		The Company's transmission module for antenna feed system adjusts the signal coverage range of the antenna by regulating the phase of the phase shifter. Utilizing one motor for gear shifting and another for driving, this module controls and adjusts the phase of multi-port antennas, thereby modifying their signal coverage range.

Application Area	Product Name	Illustration	Product Introduction
Robotics	Core Drive Module for Humanoid Robots		The core drive module for the dexterous hand features an integrated electromechanical design and is equipped with a high-performance motor. It delivers a high transmission ratio within a compact space, enabling six degrees of freedom in the drive shaft. This allows the module to replicate complex human finger movements and execute refined, lifelike gestures with precision.
	Dexterous Hand		The bionic robotic dexterous hand integrates structural, hardware and software system development. Primarily utilized in the robotics sector, it can be paired with various embodied robotics. Characterized by multiple degrees of freedom and high power density, it can perform complex and dexterous gripping actions.

(II) Business Model

The Company's primary business models are described as follows:

(1) Procurement Model

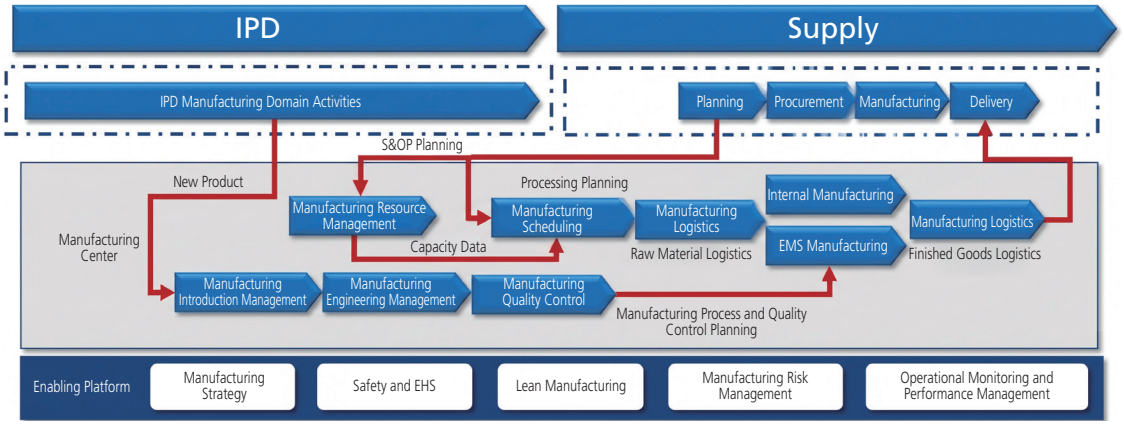
The Company adheres to a "make-to-order" procurement principle, where the procurement cycle and quantities are primarily determined based on customer orders and product demand, aligning with our business model centered on customized products. The sales and production management departments use the Material Requirements Planning (MRP) material system to calculate demand based on customer orders, generating a material requirements plan, which the procurement department then executes. To effectively control inventory, procurement strictly follows the Production Material Control (PMC) demand plan for delivery. Overall cost reduction is pursued through cross-departmental coordination, improved labor efficiency, and process optimization, complemented by commercial negotiations to optimize procurement costs.

During the Reporting Period, the Company continued to deepen the application of its Supplier Relationship Management (SRM) system and enhanced its integration with related internal systems. Leveraging the SRM system, the procurement department achieved efficient information sharing and business collaboration with suppliers, improving the accuracy and responsiveness of procurement and sales activities. The system's application effectively supported key functions such as supplier management, sourcing, and order collaboration, further strengthening the strategic partnership between the Company and its suppliers.

(2) Manufacturing Model

Procurement is closely aligned with production and demand. The Company adopts a flexible manufacturing model, achieving standardization of production equipment across various products. Concurrently, we utilize a Manufacturing Execution System (MES) to scientifically manage information related to production planning, quality control, plant equipment, inventory management, and engineering changes. This allows for real-time visibility into shop floor operations, enabling continuous adjustment and optimization of inventory accuracy and resource utilization.

The Company has clearly defined its manufacturing strategy and tactics, achieving flexibility in production capacity. By strengthening process capability, accelerating the implementation of lean manufacturing, and enhancing interfaces with other systems, particularly the Integrated Product Development (IPD) process, we have improved production responsiveness, equipment utilization, and production efficiency.



(3) R&D Model

In terms of R&D model, the Company continues to enhance its R&D management system. Our R&D team relentlessly pursues technological advancement, with technological innovation at its core. We further strengthen the capabilities of our multi-faceted R&D system, which includes the Component Business Unit ("**BU**"), Transmission BU, Control BU, and Technology R&D Center, to respond efficiently to market demands. Concurrently, based on the sectors of our downstream customers, we gain deep insights into customer needs to guide the R&D process. Our R&D teams are organized with a reasonable structure and clear task divisions, establishing specialized teams for relevant industries. Through this industry-oriented approach, we provide customers with professional design solutions to develop products that better meet market needs.

(4) Sales Model

During the Reporting Period, as our product portfolio expanded, our sales model integrated the logic of platform-based products on top of our existing foundation of deep-customization direct sales. Regarding the direct sales model: for customized products, direct sales remains our core approach. We delve deep into customer application scenarios to address specific requirements regarding product structure, dimensions, and performance, guiding projects from development to mass production. Regarding platform-based products: for standardized and reusable platform products, while maintaining a dedicated direct sales team to manage key accounts, we are also exploring more efficient channel distribution models to enhance market penetration. In terms of internal collaboration, we continue to refine our "Project Iron Pentagon" operating model. Whether for complex customized projects or the promotion of platform products, a team comprising a sales manager, product manager, project manager, engineering & manufacturing specialist, and quality control representative works under the project leader throughout the entire process to ensure project execution quality and customer satisfaction.

(III) Performance Drivers

In 2025, under the leadership of the Board of Directors, the Company's management team strictly adhered to the requirements of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, and other laws and regulations, as well as the articles of association of Shenzhen Zhaowei Machinery & Electronics Co., Ltd., to standardize corporate governance. We remained committed to market stability, strategic focus, and transformation resilience, maintaining steady development. All operational management tasks and major project constructions progressed in an orderly manner. During the Reporting Period, the Company achieved operating revenue of RMB1,715.53 million, representing a year-on-year increase of 12.52%. Net profit attributable to shareholders of the listed Company was RMB255.18 million, representing a year-on-year increase of 13.20%.

The Company, upholding the concept of continuous innovation, has established a "1+1+1" collaborative innovation framework integrating transmission, motor, and electronic control to meet the high demands of the digital and intelligent era for microsystem integration, rapid responsiveness, and spatial efficiency. Focusing on high-growth industries undergoing intelligent transformation, such as intelligent automotive, consumer and healthcare technology, advanced industry and smart manufacturing, and robotics, we deeply engage in scenario-specific customization, building deep technical expertise and a stable customer foundation. Currently, ZHAOWEI focuses on familiar and "certain" sectors to build a solid foundation while gradually forging a results-oriented, highly motivated team. In 2026, waves of artificial intelligence, such as embodied robotics and smart terminals, will create major industries, vast opportunities, and significant market potential. We will solidify our core competitiveness in "transmission + motor + electronic control", strengthening each individual "1" and enhancing our capability to integrate them (the "+"). We will deepen platform empowerment, leveraging our component expertise to advance standardization, platformization, and branding, utilizing AI+ to enhance efficiency, and anchoring our core competencies more deeply and robustly.

During the Reporting Period, the Company's key work initiatives were as follows:

1. Continuously Optimize the Management System to Strengthen the Foundation for Refined Management

The Company further improved its management system, maintaining the continuous operation of its Executive Management Team (EMT) mechanism. With a mature EMT operating mechanism, we continuously enhance management efficiency and leverage collective decision-making advantages to separate decisions regarding people and operations. We comprehensively promote the principles of "scientific procurement" and "transparent procurement", enhancing sourcing development and innovation capabilities, advancing the development of procurement information and data capabilities, strengthening systematic management of supplier resources, and reinforcing the establishment and operation of expert procurement teams. We are advancing category procurement management, coordinating multiple departments, channels, and measures to drive procurement cost reduction. We are deeply promoting comprehensive quality management, enhancing quality control capabilities and product quality, strengthening end-to-end quality management across the entire supply chain to ensure strict control over inputs and outputs. This includes improving supplier quality management to secure the first line of defense and ensuring rapid response to customer issues to guarantee quality service. We are promoting the integration of production, supply, and sales, optimizing inventory management, and advancing the digital construction of an integrated supply chain system, with a focus on MES, production-supply-sales integration, and tooling and equipment management. We aim to enhance the cost competitiveness, manufacturing capability, and quality level of in-house produced parts such as powder metallurgy components, machining, printed circuit board assembly (PCBA), and micro and special motors. We are diligently breaking down and implementing work objectives, optimizing the operational mechanism for supervising and auditing the Company's management indicators to ensure the advancement and realization of strategic goals. By clarifying responsibilities and authorities, and improving service support capabilities, we ensure the orderly progress of all tasks.

2. Enhance R&D and Innovation Capabilities to Maintain Core Competitive Advantages

During the Reporting Period, the Company continuously pursued technological improvements based on existing product manufacturing processes and technologies. By leveraging both internal and external resources, we upgraded existing manufacturing processes and equipment, enhancing our capabilities in informatization, automation, and intelligence to maintain our leading position in the micro transmission and drive industry. We are committed to advancing process and technological innovation, increasing R&D investment in new products, new processes, and cleanroom construction. This improves our process and resource integration levels, further reduces production costs, increases product added value, and strengthens product competitiveness. We are continuously strengthening the talent pool of our R&D design team, gear technology team, electronic drive team, automation team, gear testing laboratory, and comprehensive testing laboratory, building a more competitive comprehensive development platform covering R&D, design, manufacturing, and testing. During the Reporting Period, the Company was awarded the "Guangdong Provincial Government Quality Award" and obtained the "CNAS Laboratory Accreditation Certificate". Our subsidiary, Dongguan Zhaowei, was recognized as a "National-level 'Little Giant' Specialized and Sophisticated Enterprise" and a "Dongguan Key Enterprise in Artificial Intelligence".

Under the guidance of our "1+1+1" tri-integrated strategy, which synergizes transmission systems, micro motor systems and electronic control systems into a unified framework, we have established full-chain competitive strength, ranging from critical component development to intelligent, integrated solutions. We have transitioned from a single-component supplier to a comprehensive service provider offering integrated, industry-customized, and high-performance drive solutions. This enables us to respond more rapidly to the diverse needs of customers across different industries and further provide smarter, more efficient, and compact motion control solutions. Currently, the Company has developed products and solutions characterized by high precision, miniaturization, and ultra-thin design for various sectors, including intelligent automotive, consumer and healthcare technology, industrial and manufacturing, and robotics.

3. Adhere to Deep Industry Engagement and Actively Promote Business Development and Strategic Layout

We maintain a commitment to deep industry insights in sectors such as intelligent automotive, consumer and healthcare technology, industrial and manufacturing, and robotics. Using market insights as a starting point, we identify market demands and pain points, analyze challenges facing products of the clients, and fully leverage our resources and platform advantages to proactively provide customers with optimization solutions and recommendations. Keeping pace with market trends, we simultaneously delve deeper into our strong markets while continuously developing potential target markets. By integrating our existing resources, we strengthen operations in niche target markets, expanding our product visibility and brand influence. We will increase participation in major international and domestic exhibitions and allocate more resources to promotional activities on websites and new media platforms to continuously enhance brand value. We will strengthen our sales force, promote skill development among sales personnel, and build a sales team characterized by elite personnel, streamlined organization, and value-driven projects. We will enhance key account management, actively cultivate strategically valuable customers, and optimize the structure of our customer base and order portfolio. We will strengthen project initiation management, refine project selection and review mechanisms, and focus on major projects and large orders to increase the number of high-value projects. During the Reporting Period, the Company's global expansion progressed steadily. The construction of the Suzhou Zhaowei Drive Industrial Park was successfully completed. In June 2025, preparatory work, including secondary interior finishing of the factory and the procurement, installation, and commissioning of production equipment, was finalized. In July 2025, the factory and production equipment met all commissioning standards, successfully passed system certification and on-site customer audits, and officially commenced independent production, generating product sales revenue. This facility has become a key pillar for the Company's production and business layout in the East China region. In terms of overseas expansion, ZHAOWEI Thailand is under construction. Together with Zhaowei's subsidiaries in US and Germany, these entities lay a solid foundation for the Company to expand into international markets and deepen its global footprint.

4. Strengthen Corporate Culture and Talent Development

Talent is the cornerstone of sustainable corporate development and the foundation of core competitiveness. Currently, the Company is in a new phase of rapid growth. As our business footprint continues to expand, higher demands are placed on talent reserves and systematic management. To support the implementation of our strategy, the Company formally established a Talent Management Committee and initiated its substantive operations. Going forward, we will systematically build our talent pipeline, training mechanisms, and cadre management system around the Company's development goals.

Talent Pipeline Development: Centered on business departments, we will identify outstanding internal and external talent, establish a talent pool and dynamic growth mechanisms to strengthen our succession capabilities;

Training Empowerment: We will establish a systematic and platform-based training system, establish ZHAOWEI Business School, and build a learning and development platform covering multiple fields. Differentiated training programs will be implemented for new employees, production staff, frontline employees, and various professional areas. Practical models such as a "mentorship system" will be implemented. Additionally, we will select middle and senior management to systematically study relevant management courses to continuously enhance the professional skills and management capabilities of all employees;

Cadre and Core Position Management: We will refine the criteria for identifying and selecting cadres, establish a cultivation system and promotion pathway, conduct dynamic assessments of the core talent pool, strengthen ethical conduct and work style development, and implement specialized development plans;

Performance Incentives: We will deepen our human resources performance management system, implement an evaluation mechanism centered around projects, customer orientation, and results to stimulate proactivity and enhance the stability of key personnel.

Concurrently, internally, we will optimize qualification management, refine the criteria for talent pipeline levels, and create a growth model that benefits both employees and the Company. Externally, we will continue to recruit talent for key positions to fill talent gaps during this rapid development phase. By establishing a virtuous cycle of "people shaping the environment, and the environment shaping people", we aim to achieve the co-evolution of the organization and its talent, thereby comprehensively enhancing the Company's competitiveness.

II. Industry Overview during the Reporting Period

The Company operates in the micro transmission industry, a specialized sub-sector, while also strategically developing within the micro drive sector. The micro transmission industry in which the Company operates differs significantly from the traditional transmission industry in terms of product specifications, primary materials, manufacturing processes, core functions, and application areas. Currently, relatively few companies in China have entered this emerging niche sector.

Against the backdrop of the ongoing "Dual Carbon" strategy, the accelerated industrialization of artificial intelligence models, and the domestic substitution of high-end equipment, the Company continues to focus on high-growth sectors such as intelligent automotive, AI terminals, advanced manufacturing equipment, and embodied robots. This focus drives the structural upgrade of our core business and the move up the value chain. The Company is deeply engaged in the R&D and industrialization of micro transmissions, motors, and control systems, having built a "1+1+1" tri-integrated micro drive control platform. This enables terminal products to evolve from fulfilling single functions to achieving system-level reliability, long-term stable operation, and high-precision control consistency. Particularly in critical application scenarios such as high-frequency start-stop, high-precision control, complex operating conditions, and extended operational cycles, our micro transmission and drive systems leverage sustained technological accumulation and precision manufacturing capabilities to achieve a strategic transition from a "cost component" to a "value hub". They become a critical support for the performance boundaries and brand premium of end-products. By continuously strengthening our foundational core technologies, we maintain our competitive advantages and market leadership amidst the trends of intelligentization, precision, miniaturization and systematization, providing a solid foundation for the Company's long-term, stable growth.

The micro transmission and micro drive industry in which the Company operates is characterized by a wide range of applications and a diverse customer base, with no significant cyclical fluctuations. Benefiting from the further development of downstream markets such as intelligent automotive, consumer electronics, medical equipment, industrial automation, and robotics, the market for micro transmission and micro drive systems is also gradually expanding. Against this backdrop, the Company focuses on these key industries undergoing intelligent development, quickly meet application needs across sectors such as intelligent automotive, consumer and healthcare technology, advanced industry and smart manufacturing, and robotics by providing micro drive system solutions. During the Reporting Period, the Company continued to make continuous progress in R&D capabilities, equipment standards, product services, and lean manufacturing. Consistently upholding our vision and mission to "committed to progress in the field of micro-drives to create a smarter and better life", and leveraging our leading position and competitive advantages in the industry, we continue to deeply cultivate the micro transmission and micro drive sectors. Regarding the development status of the main industries we serve and our market position within them, the details are as follows:

(I) Intelligent Automotive

Driven by breakthrough advancements in core technologies such as power batteries, electric motors, and electronic control systems, along with the accelerated development of nationwide charging infrastructure, new energy vehicle sales surpassed those of traditional vehicles in 2025, transitioning from an "emerging choice" to a "mainstream choice". The intelligent automotive sector is also increasingly demonstrating a trend where high-level intelligent capabilities are being deployed in more affordable models while cost optimization is pursued in parallel. High-level assisted driving is expanding from pilot models into mainstream vehicle segments. The electronic and electrical architecture is further evolving towards centralized platforms, with significant increases in the penetration rates of intelligent thermal management, and dynamic cockpit structural actuators. The number and complexity of actuation units are increasing simultaneously, placing comprehensive demands on micro drive systems for high responsiveness, long lifespan, and high consistency. Leveraging our accumulated technical expertise in precision transmission design and dynamic control, the Company is accelerating its transition from "precision component supply" to "functional module and system solution" provision, with its product structure undergoing continuous optimization.

The Company focuses on the independent R&D and manufacturing of micro precision transmission systems. Its strategic collaborations with core customers such as Bosch, BYD, and Changan continue to deepen. In the fields of intelligent cockpits and drive-by-wire chassis, the Company has secured new project design wins and achieved mass production for several projects, with its technical capabilities and project execution validated by the market. Leveraging its long-standing technical accumulation in transmission efficiency, vibration and noise control, and structural reliability, the Company's electric tailgate drive system, automotive screen motion modules, and precision components for ABS braking systems are widely applied in numerous popular vehicle models of leading domestic independent brands and top emerging vehicle manufacturers. These applications cover key actuation areas ranging from intelligent cockpit experience to chassis safety control. As the penetration rate of vehicle electrification continues to rise and intelligent chassis technology develops rapidly, the market demands higher precision retention, durability, and lightweight design for micro transmission systems. In the future, driven by the commercialization of cutting-edge technologies such as drive-by-wire chassis and domain control units, high-precision micro-drive systems, as the core carriers of actuation mechanisms, will encounter new opportunities for structural growth.

(II) Consumer and Healthcare Technology

As the consumer technology industry trends towards "AI on the edge" and "intelligent scenarios", large AI models are accelerating deployment on end-side devices, driving continuous improvements in chip integration. While highly integrated chips endow terminal devices with powerful computing capabilities, they also lead to a sharp increase in device power density. This imposes more stringent requirements on the thermal performance and internal integration processes of smart hardware, and presents new technical challenges for the integration and stability of micro transmission systems.

Meanwhile, as an upstream supplier of automation components for medical devices, the Company actively participates in the electrification of medical equipment, providing customers with competitively positioned solutions in areas such as electric staplers, surgical robots, and insulin injection pumps. The Company continues to increase R&D investment in high-precision reduction structures, low-vibration and low-noise design, and the establishment of medical-grade reliability systems. This deepens our technological engagement in consumer and healthcare technology applications, empowering customer product iteration and upgrades with our core transmission technologies.

(III) Advanced Industry and Smart Manufacturing

According to the "Action Plan for Promoting Large-Scale Equipment Renewal and the Replacement of Consumer Goods" issued by the State Council, enterprises are encouraged to vigorously promote the production and application of advanced equipment, accelerate the replacement of outdated and inefficient equipment, and enhance the overall level of industrial equipment. Amidst continued policy support, the industrial equipment and smart manufacturing sectors emphasize benchmarking the performance of alternative products and their ability to be deployed at scale. Industrial equipment is upgrading towards high precision, flexibility, and digitalization. The Company integrates its electromechanical integration capabilities, expanding the deep application of embedded control algorithms in industrial scenarios to form modular drive system solutions centered around precision reduction structures. By optimizing gear transmission efficiency, enhancing motor response precision, and improving control algorithm adaptability, the Company's products are achieving increasing penetration in areas such as industrial automation lines, precision testing equipment, logistics transportation equipment, and smart buildings. This assists downstream customers in achieving domestic substitution of core components and upgrading system integration.

(IV) Robotics

In 2025, embodied intelligence has become a key direction for the integration of artificial intelligence and high-end manufacturing. The central government has consistently increased policy support. The Ministry of Industry and Information Technology issued the "Guiding Opinions on the Innovative Development of Humanoid Robots", which explicitly aims to ensure the safe and effective supply of core components by 2025, achieve breakthroughs in key "limb" technologies, develop humanoid robotic arms and dexterous hands, and strengthen the R&D and manufacturing capabilities of foundational components. Concurrently, the action plan for stable growth jointly issued by the Ministry of Industry and Information Technology and the State Administration for Market Regulation also emphasizes unwaveringly promoting the use of domestic products in domestic industries, increasing policy support for key enterprises in the industrial chain, enhancing the reliability and safety of components and parts, and strengthening the resilience and security of the industrial and supply chains. The Company continues to enhance its integrated R&D capabilities for micro transmission and drive systems. By optimizing multi-joint coordinated control algorithms and multimodal sensor fusion capabilities, and strengthening the development of industrial and testing standard systems, we continuously improve the stability and reliability of our products in complex application scenarios. Our dexterous hand products have been further refined in terms of expanded degrees of freedom, independent actuation control, and flexible control capabilities, enhancing their performance in complex grasping and fine manipulation tasks. As the commercial pathways for embodied intelligence become clearer, the stability and scalability for mass production of core actuation components become critical. The Company is well-positioned to establish a differentiated competitive advantage in the field of core components for humanoid robots, leveraging its platform-based capabilities in micro motor drive systems.

In July 2025, the Company officially launched its next-generation bionic dexterous hand series, the A17 and B06. Among them, the A17 features 17 active degrees of freedom with power units integrated within the finger joints, making it suitable for complex and refined operation scenarios; the B06 utilizes a linkage transmission solution with 6 degrees of freedom to meet high-intensity operational demands. Through differentiated designs, the two products cater to diverse scenario requirements. In January 2026, the Company further unveiled the B20 dexterous hand at the International Consumer Electronics Show (CES). With a total hand weight of 600g and 20 active degrees of freedom, it achieved a dual breakthrough in lightweight design and high performance. Currently, the mass production work of the Company's dexterous hand products is continuously progressing. At the core drive level, the Company introduced industry-breakthrough innovations: linear drive motors integrated within each finger joint, a parallel motor configuration for the thumb, and a linear drive motor embedded in the palm, establishing a highly integrated drive system architecture. Concurrently, the Company launched its 4-42mm fully self-developed high-performance motor series, covering full-scenario needs from micro to low-power applications. With their outstanding performance characterized by high efficiency, low failure rates, and long lifespan, these motors provide a solid foundation for the precise control and stable operation of the dexterous hand. The Company's technological breakthroughs in the micro drive system domain further solidify its leading position in the bionic robotics core component sector.

III. Analysis of Core Competitiveness

(I) A Leading Global Provider of Integrated Micro Transmission and Drive System Solutions, Empowering Diverse High-Growth Sectors

Integrated micro transmission and drive components are critical and often mission-critical parts across a range of precision-demanding verticals. The Company's products are widely embedded in end products across four high-growth major domains: intelligent automotive, consumer and healthcare technology, advanced industry and smart manufacturing, and robotics. Each of these sectors is undergoing profound transformation through the deep integration of miniaturization, automation, and intelligent interaction. The Company's solutions serve as a foundational enabler in these sectors.

The Company has mastered a full-process, one-stop R&D and manufacturing capability for micro transmission systems, spanning system design, precision mold development, precision mold manufacturing, precision gear component fabrication, integrated assembly, and performance testing. Through vertical technological breakthroughs, we have strategically focused on drive control technologies and further extended our capabilities to motor drive control modules, establishing our "1+1+1" tri-integrated framework that synergizes "transmission systems + micro motor systems + electronic control systems". As a result, we have successfully transitioned from a single-component supplier to a comprehensive service provider offering integrated, industry-customized, and high-performance drive solutions. Leveraging strong technological innovation capabilities, exceptional product development skills, stringent quality control, and dedicated team collaboration, the Company can rapidly respond to diverse requirements across multiple sectors, including intelligent automotive, consumer and healthcare technology, advanced industry and smart manufacturing, and robotics. We have successfully developed products and solutions characterized by high precision, miniaturization, and ultra-thin design. This not only enhances the Company's market adaptability but also solidifies its position as a core partner for industry-leading companies. We have gained deep recognition and established long-term collaborations with renowned downstream companies such as Bosch, Huawei, BYD, and Xiaomi, building a robust competitive moat.

The Company's comprehensive product matrix spans a wide range of end-use scenarios, and is designed with horizontal synergy, allowing us to serve overlapping customer bases with customized but modularized solutions. This cross-scenario adaptability not only enhances operational efficiency, but also reinforces long-term customer stickiness and creates significant opportunities for multi-dimensional synergies, including scale effects, system integration, and co-development of solutions. The Company's dual leadership in scale and innovation lays a solid foundation for driving the future development of micro transmission and drive systems across industries. Through our deep-rooted platform capabilities and first-mover position in key verticals, the Company is well-positioned to sustain and expand our global competitiveness.

(II) Industry-Leading R&D Capabilities Underpin Continuous Innovation and Sustain Competitiveness of the Company

Our research and development capabilities form the cornerstone of our technological advantages and long-term competitiveness. The Company views innovation as a strategic imperative and a core value. We have established a comprehensive and integrated R&D framework built upon our "1+1+1" tri-integrated framework, seamlessly linking system design, process development and product realization, to ensure a continuous cycle of technology iteration and original breakthroughs. As of the end of December 2025, the Company had accumulated 650 intellectual property rights, including 102 invention patents, with the number of granted patents continuously increasing.

Grounded in independent R&D and leveraging industry-university-research collaboration, the Company is deeply advancing the construction of its R&D and innovation platform. This has resulted in a core R&D system centered around the Component BU, Transmission BU, Control BU, and Technology R&D Center, accumulating substantial technical expertise across multiple dimensions. The Company has established a "market and customer demand"-oriented R&D mechanism and a "customer-centric" project management mechanism. This approach tightly aligns project initiation and resource allocation with real-world application needs, balancing the development of product solutions with common generic technologies to ensure R&D outcomes are both forward-looking and rapidly commercializable.

During the Reporting Period, the Company refined and supplemented foundational data on plastic gear wear and lifespan, and advanced the development of design software for novel transmissions. We conducted and completed research on the friction and wear between carbon fiber-reinforced PEEK (a specialty engineering plastic) and metal gears during high-speed operation, gaining insights into how factors like structural design, injection molding parameters, and torque load affect the failure modes of PEEK gears. We explored the theoretical basis for how modification of plastic gear pairs influences contact stress on tooth surfaces, leading to a significant increase in plastic gear durability. We completed the formulation of a national standard for calculating the load capacity of plastic gears, revised three national standards for the precision of small-module gears, established a group standard for integrated joint interfaces, and participated in the compilation of the new edition of the "Gear Handbook". We finalized applied research on worm and helical gear transmission under high-load conditions. We achieved advancements in technologies such as screw transmission efficiency and efficient small-module gear transmission. We launched the next-generation dexterous hand, ZWHAND, which, powered by four core technologies, endows the robotic hand with human-like dexterity.

For motor products, we completed the platform-based series development for brushed DC motors, brushless DC motors, and brushless coreless motors, all of which are now in mass production. Notably, the 4mm brushless coreless motor has been successfully mass-produced for use in major national astronomical equipment. Future efforts will focus on developing 4-pole micro products to enhance torque density and provide an ultimate lightweight solution for the dexterous hand. For brushless DC motors, we achieved a breakthrough into smaller diameters, utilizing a segmented stator core assembly process to improve torque density. Development of 12mm/16mm motors has been completed and is now in small-batch production. We developed a solution for active cooling of consumer electronics products, with prototype trials now complete. In the field of powder metallurgy small-module gears, the Company focused R&D and technical efforts on metal powder materials, mold design and manufacturing, and process stability for mass production. Building on our capabilities for high-precision, large-scale manufacturing of small-module powder metallurgy gears, we developed proprietary materials with lower cost and higher compactibility, as well as materials offering enhanced elongation and impact resistance, balancing cost reduction with improved industry competitiveness.

(III) Leveraging Co-innovation Mechanisms to Build a High-Quality Customer Base and High-Stickiness Partnerships

The Company proactively studies its customers' application scenarios, adheres to collaborative innovation, conducts in-depth research on customers' pain points and industry demands, identify unmet demands, and efficiently translates those insights into offerings with rapid turnaround from design to production. By working closely with our customers to co-develop forward-looking, application-specific products that address complex technical requirements and accelerate time to market. Such early engagements allow the Company to secure first-mover advantages and become deeply embedded in our customers' innovation cycles. By leveraging our exceptional technological and product development capabilities, stringent quality assurance, and efficient project collaboration, the Company is able to deliver high-performance integrated drive solutions to customers in a fast, flexible and scalable manner.

The Company has cultivated a large and loyal base of customers by virtue of our strong track record of delivering superior product performance, robust quality assurance, and a complete portfolio of one-stop, industry-customized drive products. Our customer base includes leading enterprises spanning a wide spectrum of industries and geographies. In the intelligent automotive sector, the Company has established long-term partnerships with leading companies such as Bosch, Huawei, BYD, Li Auto, and Changan, etc.. Our precision components, transmission systems, and micro drive products are widely recognized in applications such as automotive motion screens, active rear spoilers, thermal management, in-vehicle radar, and electronic parking brakes (EPB). In the robotics sector, the Company is actively building an industry ecosystem and proactively establishing collaborations with leading robotics companies. We continue to expand into emerging industry sectors.

Through co-innovation, the Company serves not merely as a component supplier but as a long-term strategic innovation partner for our customers. This foundational strategic depth in our customer relationships ensures we maintain relevance in rapidly evolving markets. As downstream application scenarios expand and our business extends, the Company can further grow its customer ecosystem and continuously deepen its influence across multiple high-growth industries. This not only helps diversify cyclical risks associated with any single industry but also allows the Company to fully benefit from structural trends such as automation, electrification, and human-machine interaction. Our broad customer base generates demand for multiple product series of the Company across diverse scenarios. This customer overlap significantly enhances our cross-category sales synergy and provides new products with a stable customer base and application scenarios from an early stage, accelerating market validation and scaling.

(IV) Superior Advanced Manufacturing Capabilities Enabling Precision at Scale

Integrated micro transmission and drive systems are inherently complex, requiring ultra-high precision, reliability, and adaptability to rapidly evolving use cases in sectors such as humanoid robots, XR devices and smart home technologies. The manufacturing of such systems involves a diverse set of processes and the ability to quickly iterate, making proprietary production capacity a key barrier to entry and competitive advantage. The Company's manufacturing infrastructure, mature process concepts, stringent quality control, and product testing and validation capabilities provide a solid foundation for delivering high-performance, application-oriented micro transmission and drive system solutions, effectively ensuring the reliability, stability, and consistency of the Company's product quality. The Company is one of the very few enterprises in China to operate an end-to-end in-house manufacturing system that spans the full value chain of micro transmission and drive products, from system design and precision mold development to gear component fabrication, integrated assembly and performance testing. This full-process integration allows the Company to maintain tight control over every aspect of product quality, cost, lead time and innovation deployment.

On the equipment front, we have made significant investments in globally renowned machinery brands, such as imported injection molding equipment from FANUC, SODICK, etc.; gear processing and inspection centers, such as ZEISS CT, WAHLI, etc.; ultra-high-speed Computer Numerical Control (CNC) machining equipment like YASDA, Mikron, etc.; high-precision wire-cutting machines like Swiss GF AgieCharmilles. Concurrently, we have invested in GF Electrical Discharge Machining (EDM) precision imported equipment, established an automated EDM line, and expanded an automated engraving and milling CNC line, enabling 24-hour unmanned and automated manufacturing processes, achieving digitalized and intelligent manufacturing. In the machining of high-performance micro planetary gear reducers, the Company has introduced high-end manufacturing equipment such as CNC high-speed gear shapers, high-precision gear grinders, and high-precision honing machines, while also optimizing advanced processes like 0.1mm ultra-fine micro-particle blasting and electrolytic surface polishing. In terms of information system software supporting manufacturing equipment, we have implemented intelligent manufacturing management systems including MES, EMAN, iMould, and SRM, achieving data visualization, standardization, and intelligent control across the entire production process.

The Company has devoted significant resources to our R&D initiatives. Our R&D hub is equipped with design, simulation, testing and prototyping infrastructure. We have established a experienced testing team. Currently, the Company has established several key facilities: the Precision Measurement Center, primarily responsible for dimensional inspection, product characterization, material performance evaluation, and reliability testing; the Micro Drive Integrated Testing Laboratory, providing capabilities for appearance, performance, reliability, environmental, and comprehensive testing and validation; the Intelligent Control Laboratory, which is a National Center for Enterprise Technology and a Shenzhen Engineering Research Center, with joint laboratories established with several renowned domestic universities for academic-industry-research collaboration, focusing on the testing and validation of electrical performance, signals, and reliability of products; and an EMC Semi-Anechoic Chamber, compliant with CISPR 25 Ed5 Class 5 requirements, equipped with composite absorbing materials and a dedicated test table for automotive electronics, specifically designed for electromagnetic compatibility testing of automotive electronic components. The Company's laboratories have been awarded the CNAS Laboratory Accreditation Certificate.

(V) Efficient Business Processes and Organizational Structure, Driven by a Values-Oriented Culture to Empower Sustainable Growth

As the Company's operating environment, business, and positioning continue to evolve, the Company is constantly innovating and refining our institutional framework. We rationally allocate resources and adjust our organizational structure to build a core competitiveness that combines technological capabilities with efficient organizational operations. This optimizes corporate governance, enhances overall operational efficiency, and continuously drives cost reduction and efficiency improvement.

In terms of operations management, the Company has established a dedicated EMT to further enhance management efficiency, leverage the advantages of collective decision-making, and separate decisions regarding people and operations. This clarifies management responsibilities and ensures effective internal budget management and KPI assessment across departments and subsidiaries. In process management, we are customer-centric and driving process management transformation initiatives. This includes building a process-driven, matrix-managed organizational structure and implementing a hierarchical process owner accountability system, where owners are responsible for end-to-end results. In information technology, we extend our IT systems to all aspects of the Company's business operations to enhance efficiency, continuously improving internal information systems like OA to further increase the efficiency of internal information flow of the Company. The Company continuously optimizes systems such as SAP and MES to efficiently coordinate production, supply, sales, human resources, finance, and materials. By optimizing labor costs, rationally allocating resources, and implementing lean manufacturing and refined management, we actively build management and cost advantages of the Company.

The Company's management philosophy is deeply rooted in a distinctive corporate culture. We adhere to the core values of "creating value, embracing innovation, striving for continuous effort, and pursuing excellence", which guide us in maintaining strategic focus in a rapidly changing market environment. We actively fulfill our corporate mission and vision to "committed to progress in the field of micro-drives to create a smarter and better life", integrating the promotion of our values into daily operations and talent development systems. This has cultivated a top-down, values-driven corporate culture. Through this deep cultural identification, the Company not only standardizes governance-level behavioral norms but also inspires a strong sense of belonging and purpose among employees, providing powerful spiritual motivation for our long-term sustainable development.

Concurrently, the Company actively fulfills its corporate social responsibilities, viewing philanthropic and charitable endeavors as a vital way to give back to society. We advocate for positive values such as respecting natural laws, honoring teachers and valuing knowledge, and fostering gratitude and mutual assistance. These simple yet profound cultural concepts, together with the Company's core values, shape ZHAOWEI's unique and warm corporate character, serving as a solid foundation for navigating economic cycles and achieving sustainable, long-term success.

(VI) Advantages in Talent Pipeline Development and Talent Cultivation

The Company consistently adheres to the talent philosophy of "responsibility, professionalism and proactiveness", combined with "pragmatism, positivity and diversity". We boldly utilize talent, innovate in how we deploy talent, and fully leverage the value of our people. The Company's talent structure is evolving towards greater sophistication, a trend that positively and significantly contributes to enhancing the Company's core competitiveness.

During the Reporting Period, the Company focused on employee growth and development, striving to build a comprehensive, multi-tiered talent cultivation system to support employees in their continuous professional advancement. The Company established ZHAOWEI Business School, integrating high-quality internal and external resources to build a systematic curriculum, providing employees with a learning and development platform covering multiple areas such as professional skills, management capabilities, and professional qualities. This marks a significant step forward in the Company's talent development efforts. The Company implemented differentiated and refined cultivation strategies for various groups. For new employees, we launched the "Bamboo Shoot Plan" orientation program to facilitate rapid integration, paired with a mentorship system that matches each new employee with an experienced mentor to foster fast growth through practical experience. For production staff, we implemented the "Elite Plan" professional training for team leaders to enhance their comprehensive management skills and build a high-quality frontline management team. Routine training for general staff covers areas such as workplace safety and operational skill enhancement, ensuring proficiency in job skills to support efficient and safe production. For professional domains such as technical departments, marketing departments, and functional departments, the Company tailors professional skills training based on each department's business characteristics and role requirements. The technical departments focus on cutting-edge technology research and application, offering courses on technology R&D and innovative thinking. The marketing departments emphasize market analysis, customer relationship management, and sales skill enhancement. Functional departments concentrate on capabilities like process optimization and communication coordination, comprehensively improving the business and professional competence of employees across all specialized fields. For management development, the Company arranged for middle and senior management to systematically study management courses externally, broadening their perspectives and enhancing their management thinking and capabilities, providing strong management support for the Company's long-term development.

The Company places great emphasis on building a team of internal trainers. Through the "Excellence Plan" specialized training program for internal trainers, we have cultivated a group of outstanding trainers with strong professional expertise and high teaching standards. These internal trainers not only impart their professional knowledge and practical experience to other employees but also serve as a vital bridge for knowledge inheritance and sharing within the Company, significantly fostering an enhanced overall learning atmosphere. Through these initiatives, the Company has built a comprehensive talent cultivation ecosystem, providing employees with ample room for growth and development opportunities.

IV. Outlook on the Company's Future Development

(I) Company Development Strategy

Company Vision & Mission: Committed to progress in the field of micro-drives to create a smarter and better life.

Company Core Values: Creating Value, Embracing Innovation, Striving for Continuous Effort, and Pursuing Excellence.

Company Business Direction: The Company serves a wide range of downstream application fields, with products primarily involved in intelligent automotive, consumer and healthcare technology, advanced industry and smart manufacturing, and robotics. In terms of business expansion, the Company closely follows market demand, pursue a diversified layout, implement differentiated business strategies, continuously intensify efforts to explore various business areas, and increase customer coverage.

Company Strategic Direction: The Company focuses on the R&D and manufacturing of precision drive systems, providing customers with intelligent drive solution designs, as well as customized services for component manufacturing and assembly. Over the years, the Company has been committed to providing one-stop micro drive system solutions for various customers. The Company's "1+1+1" tri-integrated framework synergizes transmission systems, micro motor systems and electronic control systems into a unified framework. Unlike conventional R&D efforts conducted in isolation, we pursue coordinated development across all three domains, achieving functional harmony, faster iterations and system-level optimization, and significantly enhancing product value. This integrated approach enables customers to overcome complex technical bottlenecks and accelerate their shift toward intelligent, high-end transformation.

Leveraging our "1+1+1" tri-integrated strategy and comprehensive product and solution portfolio, the Company is advancing the development and deployment of key proprietary brand products, with a focus on further expanding our market share through our "dual-pronged" strategy. On one hand, the Company will continue to deepen existing customer relationships and co-develop customized solutions with leading industry players to address complex application needs, capture diversified growth opportunities, and create multiple growth engines. On the other hand, the Company will accelerate the commercialization of core products under our proprietary brand, particularly through deployment and promotion in emerging high-growth verticals, driving standardization, scale, and market recognition.

The Company's Functional Strategy Support:

In R&D: The Company values R&D investment, leveraging technology to empower progress and innovation to drive development. While continuously solidifying our advantages in core technologies such as precision components and the R&D and manufacturing of micro transmission systems, we will focus on strengthening our R&D capabilities in drive and control systems. We will increase investment in product R&D and promotion for emerging industries. We will enhance our ability to provide solutions and create value for customers based on their needs. We will continuously improve design, production processes, and manufacturing techniques to shorten R&D cycles and increase project success rates.

In Manufacturing: The Company's main production bases are currently in Shenzhen and Dongguan. The construction of the Suzhou Zhaowei Drive Industrial Park has been completed and officially commenced production during the Reporting Period. Based on business development, the Company will orderly advance project construction, gradually release production capacity, and continuously optimize industrial layout and capacity distribution. We will increase efforts in automation and digital factory construction, actively build smart factories, enhance the Company's information and automation capabilities, reduce equipment energy consumption, and conserve resources.

In Talent Development: The Company will continue to intensify its cultivation efforts, establish comprehensive training mechanisms and incentive reward systems to retain core talent. The Company will continue to build a talent-centric corporate culture, establishing systematic talent security systems and a fair, merit-based competitive mechanism for talent cultivation and deployment. We will provide employees with diverse career development paths and a multi-dimensional employee care environment. We will continuously improve incentive systems, including performance appraisal and reward systems, annual evaluation systems, and equity incentive plans, to fully create a favorable environment for developing, retaining, and utilizing talent.

(II) The Company's 2026 Operational Plan

1. Further Expand Market Share through Proprietary Brand Development and Deeper Customer Penetration

Leveraging our "1+1+1" tri-integrated strategy and comprehensive product and solution portfolio, we are advancing the development and deployment of key proprietary brand products. We will steadfastly invest in R&D and product iteration, actively participate in technical seminars, industry exhibitions, and other multi-channel, multi-format activities to enhance the market recognition of the "ZHAOWEI" brand, positioning it as synonymous with "innovation, intelligence, precision, and reliability."

Leveraging the strong industry reputation and collaborative foundation established with leading customers across various industries in both global and Chinese markets, we will further consolidate these partnerships. By closely aligning with our customers' evolving application needs and providing highly customized, dedicated solutions, we aim to achieve deeper integration within their product ecosystems. Through customer-centric innovation and product development, we will further enhance market penetration and share.

2. Accelerate the Commercialization of Dexterous Hand Products to Seize First-Mover Advantages in Industrial and Consumer-Grade Applications

The Company is committed to accelerating the commercialization of its next-generation dexterous hand drive modules and complete hand systems, continuously reinforcing its technological first-mover advantages and market leadership in this field. On the hardware front, we will continuously optimize material selection, motor miniaturization, and mechanical structure design to enhance power density, motion dexterity, and product durability. On the algorithm front, we will further strengthen the synergy with hardware architecture, focusing on enhancing core functions such as motion control, gesture learning, and AI algorithm-based adaptability.

3. Invest in AI-powered Digital Innovation to Reinforce our Technological Edge

The Company is actively advancing the integration of AI and digital intelligence across its end-to-end operations to continuously consolidate and enhance its core competitiveness in micro transmission and drive technologies. The Company has established an AI innovation division, continuously optimizing the team structure and actively recruiting AI professionals from top domestic and international universities and industry-leading companies. Currently, the Company's AI digital pilot projects have achieved initial results. In the future, we plan to extend these capabilities to cover key end-to-end processes such as project management, design standardization, pricing and contract review, production scheduling, procurement planning, and sales forecasting, empowering high-quality development through digital intelligence.

4. Optimize Capacity Layout and Actively Capture Global Growth Opportunities

Currently, the Company's main production bases are located in Shenzhen and Dongguan. The Suzhou Zhaowei Drive Industrial Park has been successfully completed and officially commenced production during the Reporting Period. Going forward, the Company will continue to introduce advanced intelligent manufacturing technologies and high-end equipment to build modern intelligent production lines, further shortening product delivery cycles and enhancing service efficiency for domestic customers. Concurrently, the construction of the Thailand production base is steadily progressing to further improve responsiveness to international customers and optimize the global supply chain system. Through localized overseas production, we aim to effectively reduce logistics costs, shorten delivery cycles, and strengthen local service capabilities, thereby better capturing global market growth opportunities.

5. Continuously Expand and Optimize Global Footprint to Accelerate Business Internationalization

The Company is committed to bringing its micro drive technologies and intelligent solutions to a broader global market. We have established a presence in key overseas markets such as the United States and Europe, laying a solid foundation for our global development. Going forward, the Company will continue to deepen collaboration with international partners, continuously enhance our global sales and service network, and precisely reach more customers in core markets. We will strategically expand into overseas regions with strong product demand and favorable business environments, promote channel diversification, and build local responsiveness capabilities. By adopting a flexible and efficient service model, we aim to meet the diverse needs of customers across different global regions.

(III) Risks and Countermeasures

1. Risk of Rising Labor Costs

As a technology-intensive enterprise, the Company consistently regards technological innovation as the core driver of its business development. However, factors such as the decline in the working-age population and rising employee expectations for compensation and benefits are leading to a continuous upward trend in labor costs. The Company's products are characterized by customization, miniaturization, high precision, and small batch sizes, with relatively low standardization, making comprehensive automation difficult. Most products still rely on manual assembly. Against the backdrop of an aging population, to attract and retain talent in technical, sales, management, and production roles, and to ensure the supply of skilled workers, the Company may face sustained pressure from rising labor costs. If future product sales revenue and gross profit margins do not increase correspondingly, the continuously rising labor costs could adversely affect the Company's operating results.

To address this, the Company will continue to deepen lean production management, optimize production processes and manufacturing techniques, and comprehensively enhance production and operational efficiency. In terms of the compensation and incentive system, while ensuring base pay, the Company will improve the short-term variable compensation mechanism, advocating for value creation and rewarding higher performance. Through medium-to-long-term incentives such as equity incentives, we aim to build a platform where the Company and employees share interests and risks, stabilizing the core talent team and fostering mutual growth and coordinated development between the Company and its employees.

2. Risk of Raw Material Price Fluctuations

The Company's main raw materials include micro motors, plastic granules, gears, shafts, brackets, mold materials, bearings, housings, electronic components, and packaging materials. During the Reporting Period, the cost of major materials accounted for a significant portion of the current cost of principal operations. Fluctuations in raw material prices will directly impact manufacturing costs and gross profit margins, introducing uncertainty to the Company's production operations and profitability, thereby affecting its operating results.

To address this, the Company has implemented several measures: continuously expanding supply channels, establishing long-term strategic partnerships with suppliers, strengthening cost control, and rationally planning procurement; focusing on optimizing product structure, prioritizing the production and sales volume of high-profit, high-value-added products, and refining product mix and strategic layout; strengthening the coordination of production organization, improving capacity utilization across production lines, accelerating equipment technological upgrades and production process optimization, and promoting cost reduction and efficiency enhancement to improve overall profitability; and, concurrently, communicating and negotiating with customers in a timely manner to seek partial pass-through of cost pressures.

3. Risks in the Development of New Products and Technologies

The downstream industries the Company serves are characterized by rapid technological iteration. Emerging application scenarios and innovation projects continuously generate new technical requirements. If the Company fails to keep pace with industry technology trends and promptly undertake new product R&D and product iteration upgrades, it will struggle to adapt to evolving market demands. This could weaken our industry-leading advantages and adversely impact the Company's long-term development and sustained growth in operating results.

To address this, the Company has formed specialized R&D teams segmented by downstream industries, focusing on technology development research in each field and closely tracking changes in market demand. By continuously promoting technological innovation and product development, we provide solid support and technical assurance for the stable growth of the Company's various business segments.

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

The Company specializes in the research and development, production and sales of micro transmission and drive systems, and provides one-stop micro drive system solutions for various customers.

BUSINESS REVIEW

A review of the Group's business during the Year under review and a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing and important events affecting the Company which occurred during the Year are provided in the section headed "Chairman's Statement", the section headed "Management Discussion and Analysis" of this report, the section headed "Event after the End of the Reporting Period" of this directors' report and note 43 to the consolidated financial statements.

The Group manages environmental and social issues that affect the Group and on which the Group can have an impact. All activities of the Group must comply with the laws and regulations in the jurisdictions in which it operates in relation to emissions, use of resources and environmental protection. The Group reduces the consumption of energy and other resources, reduces wastes and protects natural resources. The Group implements separate collection and disposal of the non-hazardous wastes and few ink boxes and toner cartridges generated during its operation process and is committed to minimizing the impacts of its operation on the natural environment during the operation. The Group actively guides employees to implement the concept of green environmental protection in their daily work. Based on business characteristics and relying on the carrier of the network platform, the Group gradually delivers green environmental protection information to owners and customers in a timely manner to help improve the public's awareness and attention to environmental protection.

Also, the Group has actively managed and monitored risks to protect and help the business development of the Group. The Group considered that the relationship with its customers has a relatively significant impact on the Group. The information about the Group's major customers is disclosed in note 4 to the consolidated financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The share incentive scheme was approved at the third meeting of the third session of the Board held on 7 August 2024 and the second extraordinary general meeting of the Company held on 28 August 2024 ("**2024 Share Incentive Scheme**"). For the year ended 31 December 2025, the Company had repurchased certain restricted A Shares granted to certain participants under 2024 Share Incentive Scheme and certain participants exercised their options to purchase A shares of the Company. On 21 July 2025, the Company repurchased 7,000 restricted A shares granted to certain participants under 2024 Share Incentive Scheme at the price of RMB21.35 per share.

Save as disclosed above, the Company and its subsidiaries did not repurchase, redeem or sell any listed securities (including treasury shares) of the Company during the Reporting Period.

ISSUANCE OF SHARES

On 9 March 2026, the Company issued 26,748,300 H Shares at the price of HK$71.28 per share, which are listed on the Main Board of the Hong Kong Stock Exchange. A total of 26,748,300 H Shares were issued by the Company with total proceeds of HK$1,906.62 million, with net proceeds of approximately HK$1,827.73 million (a net price of approximately HK$68.33 per share) after deducting issuance costs incurred directly by issuing new shares.

During the Reporting Period, a total of additional 537,900 A Shares were exercised through exercise of options by the participants under 2024 Share Incentive Scheme at their own discretion.

Save as disclosed above, no other Shares were issued during the Reporting Period.

DIVIDENDS

The Board of Directors proposes a cash dividend distribution to A Shareholders and H Shareholders for the year ended 31 December 2025, with a distribution of RMB3.85 (inclusive of tax) per 10 shares (tax inclusive). The cash dividend is denominated and declared in RMB, with payments to be made in RMB to A Shareholders and in HKD to H Shareholders. The actual amount of the H share dividend conversion will be calculated based on the central parity rate of RMB to HKD as announced by the People's Bank of China on the trading day immediately preceding the date on which the Board of Directors of the Company considered this proposal (27 March 2026) (HK$1 to RMB0.88361), and accordingly, the dividend payable per 10 H Shares is HK$4.357 (inclusive of tax). The proposed dividend distribution is subject to approval at the Company's 2025 annual general meeting and is expected to be distributed within two months from the 2025 annual general meeting. As at the date of this announcement, the Company did not hold any H shares of our Company as treasury shares (as defined in the Listing Rules).

There were no arrangements under which Shareholders had waived or agreed to waive any dividends during the Reporting Period.

CLOSURE OF H SHARES REGISTER OF MEMBERS/RECORD DATE

The Company will also hold an annual general meeting for the year ended 31 December 2025 on Friday, 22 May 2026 (the "**AGM**").

The H Shares register of members of the Company will be closed from Tuesday, 19 May 2026 to Friday, 22 May 2026, both days inclusive, in order to determine the identity of the H Shareholders who are entitled to attend the AGM, during which period no Share transfers will be registered. To be eligible to attend the AGM, all transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's H Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. (Hong Kong time) on Monday, 18 May 2026. The H Shareholders whose names appear on the register of members of the Company on Friday, 29 May 2026 (i.e. the record date) are entitled to attend and vote at the AGM.

DIVIDEND POLICY

The Company has adopted a dividend policy, pursuant to which the Company may declare and pay dividends to the shareholders of the Company. The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, taking into account factors including but not limited to the Group's actual and expected financial performance, expected working capital requirements, capital expenditure requirements and future expansion plans, the retained earnings and distributable reserves and liquidity position of the Group, the general economic conditions etc. The Board will review the dividend policy from time to time to ensure its continued effectiveness.

SHARE CAPITAL AND WARRANTS

As disclosed in the sub-section headed "Purchase, sale or redemption of the Company's listed securities and other equity fundraising activities" below, the Company issued and allotted new shares of the Company pursuant to various share subscription agreements and the exercise of warrants during the Year. Details of movements in the share capital and warrants of the Company during the Year are set out in note 32 to the consolidated financial statements.

SHARE INCENTIVE SCHEME

The following is a summary of the principal terms of the 2024 Share Incentive Scheme approved and adopted by our Shareholders at the second extraordinary general meeting held on August 28, 2024. The terms of 2024 Share Incentive Scheme do not involve any grant of Share Incentives by our Company after the Listing and are not subject to the provisions of Chapter 17 of the Listing Rules. The terms of the 2024 Share Incentive Scheme are summarized below.

(a) Purpose

The purposes of the 2024 Share Incentive Scheme are as follows:

(i) to further improve the Company's long-term incentive mechanism;

(ii) to attract and retain outstanding talent;

(iii) to motivate employees by aligning the interests of Shareholders, the Company and the core team, thereby ensuring all parties focus on the Company's long-term development and share common goals.

(b) Who may participate

The scope of the eligible participants of the 2024 Share Incentive Scheme ("**2024 Eligible Participants**") is proposed by our Remuneration and Appraisal Committee and approved by our then Board of Supervisors, having taken into account the actual situation of our Company, in accordance with the PRC Company Law, the Securities Law of the PRC (中華人民共和國證券法), the Administrative Measures for the Equity Incentives of Listed Companies (上市公司股權激勵管理辦法), the Rules Governing the Listing of Shares of the Shenzhen Stock Exchange (深圳證券交易所股票上市規則), the Shenzhen Stock Exchange Listed Company Self-Regulation Guide No. 1 – Business Handling (深圳證券交易所上市公司自律監管指南第1號 – 業務辦理), other relevant laws, regulations and regulatory documents and the Articles of Association.

The 2024 Eligible Participants include 123 persons in total, comprising of the Directors, senior management and other personnel deemed suitable for incentives by the Board, and shall not include the independent non-executive Directors, Supervisors and any Shareholders or actual controllers who individually or in aggregate holding 5% or more Shares of our Company, together with their spouses, parents and children.

(c) 2024 Scheme Mandate Limit

The 2024 Share Incentive Scheme are granted in two forms: (i) restricted A Shares ("**2024 Restricted Share Scheme**") and (ii) share options ("**2024 Share Option Scheme**"). The total number of underlying Shares which may be issued upon exercise of all Share Incentives granted under the 2024 Share Incentive Scheme shall be 2,525,400 A Shares, which was comprised of 1,262,700 A Shares for the options granted under the 2024 Share Option Scheme ("**2024 Scheme Mandate Limit – Share Options**") and the 1,262,700 restricted A Shares granted under the 2024 Restricted Share Scheme ("**2024 Scheme Mandate Limit – Restricted A Shares**").

Each of the 2024 Scheme Mandate Limit – Share Options and the 2024 Scheme Mandate Limit – Restricted A Shares shall be adjusted in the event of any alteration in the capital structure of our Company whilst any option remains exercisable or any restricted A Share remains grantable, to proportionally reflect any capitalization of profits or reserves, bonus issue, rights issue, sub-division, consolidation of shares, dividend distribution, etc. of our Company.

(d) Maximum entitlement of a grantee

Any grant of options or restricted A Shares to any grantees in respect of all the options or restricted A Shares granted to such person under the 2024 Restricted Share Scheme and 2024 Share Option Scheme in aggregate shall not exceed 1% of the Shares in issue at the time of the announcement of the 2024 Share Incentive Scheme.

(e) Duration of the Share Incentives

The grant date of 2024 Share Incentive Scheme shall be determined by the Board after the approval of the 2024 Share Incentive Scheme by the Shareholders at a general meeting. Unless otherwise stipulated by laws and regulations, the grant date must be a trading day of the Shenzhen Stock Exchange. The grant of Share Incentives is subject to the approval of the Board and shall be registered and announced within 60 days after the approval of the 2024 Share Incentive Scheme at a general meeting.

The term of the 2024 Share Incentive Scheme shall commence from the date of grant of the Share Incentives under the 2024 Share Incentive Scheme and continue until the Share Incentives are fully exercised, canceled, vested, or lapsed, whichever is earlier. This term shall not exceed 36 months, as applicable.

(f) Lock-up Arrangements

The lock-up arrangements under the 2024 Share Incentive Scheme are determined according to the Articles of Association and applicable PRC laws and regulations:

(i) if the grantee is a Director or a senior management of our Company, the Shares to be transferred each year during his or her tenure shall not exceed 25% of the total Shares he or she holds. No Shares held by such Director or senior management may be transferred within six months after termination of his or her employment;

(ii) if the grantee is a Director or senior management of our Company, income gained through sale of Shares of our Company within six months of the purchase or repurchase of Shares of our Company within six months of the sale, shall belong to our Company and be reclaimed by the Board; and

(iii) if there is any change in the applicable laws and regulations or the relevant provisions of the Articles of Association on the foregoing lock-up requirements within the term of the Share Incentive Plan, the grantee shall comply with the amended laws and regulations and the Articles of Association.

(g) Adjustments

Subject to the other terms and conditions contained in the 2024 Share Incentive Scheme, the number and/or exercise price of granted Share Incentives may be adjusted upon the occurrence of certain events before exercise by the grantee. These events include, as the case may be, (i) capitalization of reserves, (ii) distribution of stock dividends, (iii) distribution of cash dividends, (iv) share subdivision, and (v) share consolidation.

(h) Changes in the exercise of options during the Reporting Period and validity period of the 2024 Share Option Scheme

All the outstanding options under the 2024 Share Option Scheme were granted on August 28, 2024 and our Company will not grant any further options under the 2024 Share Option Scheme. Particulars of the options granted to our Directors, senior management members and/or other connected persons are set forth below:

	As of 1 January 2025					As of 31 December 2025				
Name and category of participants	Number of options outstanding	Exercise price (RMB/share)	Exercised during the year	Cancelled during the year	Lapsed during the year	Number of options outstanding	Exercise price (RMB/share)	Weighted average closing rice of the relevant shares immediately before the exercise date (RMB/share)	Date of grant	Scheme validity period
Directors										
Ye Shubing	45,400	42.70	0	0	0	45,400	42.42	N/A	28 August 2024	From 28 August 2024 to 27 August 2027
Li Ping	45,400	42.70	0	0	0	45,400	42.42	N/A	28 August 2024	From 28 August 2024 to 27 August 2027
Lu Zhiqiang	16,800	42.70	0	0	0	16,800	42.42	N/A	28 August 2024	From 28 August 2024 to 27 August 2027
Senior management members (excluding those who are also Directors)										
Zuo Mei	38,700	42.70	0	0	0	38,700	42.42	N/A	28 August 2024	From 28 August 2024 to 27 August 2027
Niu Dongfeng	16,800	42.70	0	0	0	16,800	42.42	N/A	28 August 2024	From 28 August 2024 to 27 August 2027
Connected Persons										
Xie Weiwu (謝偉武)	16,800	42.70	8,400	0	0	8,400	42.42	118.53	28 August 2024	From 28 August 2024 to 27 August 2027
Xie Weiqun (謝偉群)	33,600	42.70	16,800	0	0	16,800	42.42	120.32	28 August 2024	From 28 August 2024 to 27 August 2027
Qiu Xiansheng (邱顯生)	16,800	42.70	8,400	0	0	8,400	42.42	121.79	28 August 2024	From 28 August 2024 to 27 August 2027
You Minsheng (游敏勝)	7,000	42.70	3,500	0	0	3,500	42.42	121.79	28 August 2024	From 28 August 2024 to 27 August 2027
Cheng Hanjie (程漢傑)	7,000	42.70	3,500	0	0	3,500	42.42	123.31	28 August 2024	From 28 August 2024 to 27 August 2027
Other Employees	1,011,400	42.70	497,300	0	0	514,100	42.42	122.07	28 August 2024	From 28 August 2024 to 27 August 2027

(i) Changes in the number of restricted A Shares during the Reporting Period and validity period of the 2024 Restricted Share Scheme

The restricted A Shares have been issued on a one-off basis and no additional Shares will be issued under the 2024 Restricted Share Scheme. Particulars of the Restricted A Shares issued to our Directors, senior management members and/or other connected persons are set forth below:

Name and category of participants	Number of restricted A Shares as of 1 January 2025	Vested during the year (share)	Cancelled during the year (share)	Number of restricted A Shares as of 31 December 2025	Grant price (RMB/share)	Weighted average closing price of the relevant shares immediately before the vesting date (RMB/share)	Date of grant	Scheme validity period
Directors								
Ye Shubing	66,900	0	0	33,450	21.35	121.79	28 August 2024	From 28 August 2024 to 27 August 2027
Li Ping	66,900	0	0	33,450	21.35	121.79	28 August 2024	From 28 August 2024 to 27 August 2027
Lu Zhiqiang	21,300	0	0	10,650	21.35	121.79	28 August 2024	From 28 August 2024 to 27 August 2027
Senior management members (excluding those who are also Directors)								
Zuo Mei	60,000	0	0	30,000	21.35	121.79	28 August 2024	From 28 August 2024 to 27 August 2027
Niu Dongfeng	21,300	0	0	10,650	21.35	121.79	28 August 2024	From 28 August 2024 to 27 August 2027
Connected Person								
Qiu Xiansheng	21,300	0	0	10,650	21.35	121.79	28 August 2024	From 28 August 2024 to 27 August 2027
Xie Weiwu	21,300	0	0	10,650	21.35	121.79	28 August 2024	From 28 August 2024 to 27 August 2027
You Minsheng	7,000	0	0	3,500	21.35	121.79	28 August 2024	From 28 August 2024 to 27 August 2027
Cheng Hanjie	7,000	0	0	3,500	21.35	121.79	28 August 2024	From 28 August 2024 to 27 August 2027

EQUITY-LINKED AGREEMENTS

Save for the 2024 Share Incentive Scheme, the Company had not entered into any equity-linked agreements in 2025, nor did there subsist any equity-linked agreement entered into by the Company as at 31 December 2025.

PROPERTY, PLANT AND EQUIPMENT

Details of changes in the Group's property, plant and equipment during the Year are set out in note 13 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's distributable reserve was as follows:

	31 December 2025 RMB'000	31 December 2024 RMB'000
Capital reserve	**1,891,443**	1,844,294
Share option reserve	**18,722**	7,550
Fair value reserve	**8,645**	11,119
Statutory surplus reserve	**120,367**	101,020
Retained earnings	**1,101,742**	904,790
	3,140,919	2,868,773

DIRECTORS AND SERVICE CONTRACTS

The Directors during the Year and up to the date of this report were as follows:

Executive Directors:
Mr. Li Haizhou
Ms. Xie Yanling
Mr. Ye Shubing
Mr. Li Ping

Employee Representative Director
Mr. Lu Zhiqiang

Independent Non-executive Directors:
Ms. Guo Xinmei
Dr. Zhou Changjiang
Mr. Lin Sen

Each of the Directors has entered into a service contract or letter of appointment with the Company. The principal particulars of these service contracts and letters of appointment include (i) the term of service, and (ii) are subject to termination in accordance with their respective term. The service contracts and letters of appointment may be renewed in accordance with the Company's Articles of Association and the applicable Listing Rules.

Save as disclosed above, none of the Directors has entered into any service contracts or letters of appointment as a director with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No transaction, arrangement or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly and indirectly, subsisted during or at the end of the Year.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

During the Reporting Period, the Company or any of its subsidiaries does not have any significant contract with controlling shareholders or its subsidiaries, and there are no significant contracts of services provided by the controlling shareholders or its subsidiaries to the Company or subsidiaries.

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDERS

During the Reporting Period, the controlling shareholders of the Company has not pledged any of its shares in the Company to secure debts of the Company or to secure or otherwise support debts of the Company.

LOAN ARRANGEMENTS GRANTED BY THE GROUP TO ENTITIES

During the Reporting Period, the Group has not granted any loans to any entity required to be disclosed under Rule 13.13 of the Listing Rules.

LOAN AGREEMENTS OR FINANCIAL ASSISTANCE FROM THE COMPANY

During the Reporting Period, the Company has not provided any financial assistance or guarantee to its affiliates that is required to be disclosed under Rule 13.16 of the Listing Rules.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As the Company's H Shares were not listed on the Hong Kong Stock Exchange as of 31 December 2025, Divisions 7 and 8 of Part XV of the SFO and section 352 of the SFO were not applicable to the Directors or chief executives of the Company as of 31 December 2025.

As far as the Company is aware, as at the date of this report, the interest and short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "**SFO**")) as required to be kept and recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the "**Model Code**") set out in Appendix C3 to the Listing Rules as adopted by the Company, was as follows:

Long positions in shares of the Company:

Name of Director	Nature of interest	Class of shares	Number of shares held[1]	Approximate percentage of interest in the respective class of shares[2]
Li Haizhou	Beneficial owner	A Shares	43,657,600	18.14%
	Interest of spouse[3][4]	A Shares	106,560,000	44.26%
Xie Yanling	Interest in controlled corporation[4][5]	A Shares	106,560,000	44.26%
	Interest of spouse[3]	A Shares	43,657,600	18.14%
Ye Shubing	Beneficial owner[6]	A Shares	112,300	0.05%
Li Ping	Beneficial owner[7]	A Shares	112,300	0.05%
	Interest in controlled corporation[8]	A Shares	5,315,895	2.21%
Lu Zhiqiang	Beneficial owner[9]	A Shares	38,100	0.02%

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of 240,734,400 A Shares in issue as of the date of this report.

(3) Ms. Xie is the spouse of Mr. Li Haizhou. Accordingly, they are deemed to be interested in the same number of Shares of each other for the purpose of the SFO.

(4) Shenzhen Qianhai Zhaowei Investment Co., Ltd. (深圳前海兆威投資有限公司)("**Zhaowei Investment**") is owned as to 55% and 45% by Mr. Li and Ms. Xie, respectively. Therefore, Mr. Li Haizhou and Ms. Xie are deemed to be interested in all the Shares held by Zhaowei Investment for the purpose of the SFO.

(5) Ms. Xie is the general partner of Gongqingcheng Qingmo Venture Capital Partnership Enterprise (Limited Partnership) (共青城清墨創業投資合夥企業(有限合夥))("**Qingmo Partnership**") and holds 50% of the interests therein. Therefore, Ms. Xie is deemed to be interested in the interests held by Qingmo Partnership.

(6) Mr. Ye Shubing is entitled to subscribe for 45,400 A Shares pursuant to the Share Incentives granted to him under the 2024 Share Incentive Scheme, subject to the conditions thereof, and 66,900 A Shares directly held by him.

(7) Mr. Li Ping is entitled to subscribe for 45,400 A Shares pursuant to the Share Incentives granted to him under the 2024 Share Incentive Scheme, subject to the conditions thereof, and 66,900 A Shares are directly held by him.

(8) Mr. Li Ping holds 34.85% of limited partnerships interests of Gongqingcheng Juzhaode Investment Management Partnership Enterprise (Limited Partnership) (共青城聚兆德投資管理合夥企業(有限合夥)) ("**Juzhaode Partnership**") and no other limited partners holds more than 1/3 interests in Juzhaode Partnership. As such, Mr. Li Ping was deemed to be interested in the 5,315,895 A Shares held by Juzhaode Partnership.

(9) Mr. Lu Zhiqiang is entitled to subscribe for 16,800 A Shares pursuant to the Share Incentives granted to him under the 2024 Share Incentive Scheme, subject to the conditions thereof, and 21,300 A Shares are directly held by him.

Save as disclosed above, as at the date of this report, none of the Directors, the chief executives of the Company nor their associates had any interests or short position in the shares, underlying shares or debentures of the Company and any of its associated corporations that were required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Listing Rules. During the Year, no individual has held the position of chief executive of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, at no time during the Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age of eighteen, had any right to subscribe for the securities of the Company, or had exercised any such rights during the Year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As the Company's H Shares were not listed on the Hong Kong Stock Exchange as of 31 December 2025, Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO were not applicable to the substantial shareholders of the Company as of 31 December 2025.

As far as the Company is aware, as at the date of this report, the persons, other than the Directors or the chief executive of the Company, who had interests or short positions in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO are as follows:

Interest in the shares and underlying shares – long positions:

Name of Shareholder	Capacity	Class of shares	Number of shares held[1]	Approximate percentage of interest in the respective class of shares[2]
HSBC Holdings plc	Custodian (other than an exempt custodian interest)[3]	H Shares	2,467,100	9.22%
HACF, L.P.	Beneficial owner	H Shares	1,644,800	6.15%
HHLR Advisors, Ltd.	Investment manager	H Shares	2,193,100	8.20%
Mirae Asset Securities (HK) Ltd.	Investment manager	H Shares	1,518,800	5.68%
	Beneficial owner	H Shares	220,600	0.82%
Mirae Asset Securities Co., Ltd.	Interest in controlled corporation[4]	H Shares	1,739,400	6.50%
Mirae Asset Capital Co., Ltd.	Interest in controlled corporation[4]	H Shares	1,739,400	6.50%
Park Hyeon Joo	Interest in controlled corporation[4]	H Shares	1,739,400	6.50%
Qingmo Partnership	Beneficial owner	A Shares	21,440,000	8.91%
Zhaowei Investment	Beneficial owner	A Shares	85,120,000	35.36%

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of 26,748,300 H Shares and 240,734,400 A Shares respectively in issue as of the date of this report.

(3) According to the disclosure of interests filed on the website of the Hong Kong Stock Exchange, HSBC Holdings plc holds 100% interests in HSBC Bank plc. Therefore, HSBC Holdings plc was deemed to be interested in 2,467,100 H Shares held by HSBC Bank plc.

(4) According to the disclosure of interests filed on the website of the Hong Kong Stock Exchange, Park Hyeon Joo controls 34.32% interests in Mirae Asset Capital Co., Ltd., which in turn controls 33.83% interests in Mirae Asset Securities Co., Ltd., which in turn controls 100% in Mirae Asset Securities (HK) Ltd. Therefore, each of Park Hyeon Joo, Mirae Asset Capital Co., Ltd., Mirae Asset Securities Co., Ltd. is deemed to be interested in 1,739,400 H Shares held by Mirae Asset Securities (HK) Limited.

Save as disclosed above, the Directors are not aware of any other party who, as at the date of this report, had an interest or short position in the shares and underlying shares of the Company which was recorded in the register required to be kept by Company under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES AND OTHER EQUITY FUNDRAISING ACTIVITIES

The share incentive scheme was approved at the third meeting of the third session of the Board held on 7 August 2024 and the second extraordinary general meeting of the Company held on 28 August 2024 ("2024 Share Incentive Scheme"). For the year ended 31 December 2025, the Company had repurchased certain restricted A Shares granted to certain participants under 2024 Share Incentive Scheme and certain participants exercised their options to purchase A shares of the Company. On 21 July 2025, the Company repurchased 7,000 restricted A shares granted to certain participants under 2024 Share Incentive Scheme at the price of RMB21.35 per share.

Save as disclosed above, the Company and its subsidiaries did not repurchase, redeem or sell any listed securities (including treasury shares) of the Company during the Reporting Period. As at 31 December 2025, the Company did not hold any treasury Shares.

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, the percentages of the Group's revenue attributable to its largest customer and five largest customers were 16.41% and 43.16% respectively. The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 15.48% of the Group's total purchases and the amount of purchases attributable to the Group's largest supplier was approximately 3.85% of the Group's total purchases.

MANAGEMENT CONTRACTS

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or subsisting during the Year.

CONTINUING CONNECTED TRANSACTIONS

The Group did not enter into any non-exempt one-off connected transactions or continuing connected transactions during the Reporting Period. Details of related party transactions entered into by the Group in the ordinary course of business are set out in note 38(b) to the consolidated financial statements. Save as disclosed in note 38(b) to the consolidated financial statements, none of these related party transactions constitutes a connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules, or is a connected transaction or continuing connected transaction for which the Company is exempt from the reporting requirements under the Listing Rules.

EMOLUMENT POLICY

The emolument policy of employees of the Group is set up by the remuneration and appraisal committee of the Company on the basis of their merit, qualifications, experience and competence. The emoluments of the Directors are decided by the remuneration and appraisal committee of the Company, having regard to the Company's operating results, individual performance and comparable market statistics.

As of December 31, 2025, the Group had a total of 2,381 employees. The total employee remuneration expenses for the year ended December 31, 2025, including share-based compensation expenses, were RMB455.7 million.

Our employees' remuneration mainly comprises salaries, bonuses and social security contributions. We participate in various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury, maternity, and unemployment benefit plans.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the Year and as of the date of this report, none of the Directors and their respective associates are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of PRC, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this report, the Company has maintained a sufficient public float throughout the Year.

CHARITABLE DONATIONS

The Group has made a charitable donation in the total amount of RMB0.13 million during the Year (for the year ended 31 December 2024: RMB0.31 million).

EVENT AFTER THE END OF THE REPORTING PERIOD

Apart from the aforementioned listing of H shares of the Company on the main board of the Stock Exchange and proposed dividend distribution, there were no other material subsequent events since the end of the Reporting Period.

USE OF PROCEEDS

The shares of the Company were listed on the main board of the Stock Exchange on 9 March, 2026. The net proceeds received from the Global Offering (after deducting the estimated underwriting commissions and other fees and expenses payable by the Company in connection with the Global Offering) was approximately HK$1,827.73 million.

As at the date of this report, there was no change in the intended use of net proceeds as previously disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus and none of the net proceeds from the Global Offering was utilized by the Company. To the extent that net proceeds are not immediately used for the intended use, the Company will place the net proceeds as short-term interest-bearing accounts at licensed commercial banks and/or other authorised financial institutions (as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), or applicable laws and regulations in other jurisdictions). For details of the breakdown of the use of proceeds, please refer to the H Shares annual report of the Company for the year ended 31 December 2025 to be published.

FIVE YEARS FINANCIAL SUMMARY

The summary of the results, assets and liabilities of the Group in the past five years is set out on page 200 of this report.

PERMITTED INDEMNITY PROVISION

Subject to the applicable laws, every director of the Group's companies shall be entitled to be indemnified by the relevant company against all costs, charges, losses, expenses and liabilities incurred by him or her in the execution and discharge of his or her duties or in relation thereto pursuant to such company's constitutional documents. Such provisions were in force during the course of the Year and remained in force as of the date of this report.

PROFESSIONAL TAX ADVICE RECOMMENDED

If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in or exercising of any rights (including entitlements to any relief of taxation) in relation to the shares of the Company, they are advised to consult their professional advisers.

AUDITORS

The consolidated financial statements for the Year were audited by Ernst & Young("**EY**"). As disclosed in the announcement of the Company dated 30 March 2026, in view of the fact that the financial statements prepared under the China Accounting Standards for Business Enterprises and International Financial Reporting Standards have largely converged, the Company intends to adopt the China Accounting Standards for Business Enterprises for the preparation of financial statements and disclosure of related financial information on a uniform basis commencing from the first quarterly report of 2026. The adoption of the China Accounting Standards for Business Enterprises for the preparation of financial reports and disclosure of related financial information on a uniform basis will not have any material impact on the results or financial position of the Company. Pursuant to the resolution of the 2026 first extraordinary shareholders' meeting held by the Company on March 27, 2026, Ernst & Young ("**EY**") was appointed as the overseas accounting firm for the year 2025. EY will complete all its engagements and its mandate will not be renewed and will be accordingly terminated upon the publication of the Company's 2025 annual report on the Stock Exchange. Given that the Company will adopt the China Accounting Standards for Business Enterprises on a uniform basis for the preparation of financial reports, and that BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所(特殊普通合夥)), the Company's domestic financial report auditing firm, has obtained recognition from the China Ministry of Finance and the CSRC and is qualified to provide audit services to issuers incorporated in Mainland China and listed in Hong Kong, the Company will accordingly not separately appoint an overseas accounting firm.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The biographical details of Directors and senior management as at 27 April 2026, being the date of this report, are set out below:

EXECUTIVE DIRECTORS

Mr. Li Haizhou (李海周), aged 55, has been an executive Director of our Company since April 2001. He has been the chairman of the Board since August 2016. Mr. Li is primarily responsible for the Group's strategic direction and market development business.

Mr. Li served as the director of Zhao Wei Enterprise (H.K.) Company Limited (兆威企業(香港)有限公司) from February 2013 to August 2017, director of Huizhou Zhaowei Machinery & Electronics Co., Ltd. (惠州市兆威機電有限公司), from August 2014 to December 2018. He served as the general partner of Gongqingcheng Juzhaode Investment Management Partnership Enterprise (Limited Partnership) (共青城聚兆德投資管理合夥企業(有限合夥), one of our Shareholders, from August 2016 to December 2017.

Mr. Li worked as the executive director of Zhaowei Investment from March 2015 to April 2022 and has been a general manager of Zhaowei Investment since March 2015, the director of ZhaoWei Machinery & Electronics (HongKong) Co., Limited (兆威機電(香港)有限公司), one of our subsidiaries, since October 2015, executive director of Dongguan Zhaowei since October 2018, executive director of Suzhou Drive Co., Ltd. (蘇州兆威驅動有限公司), one of our subsidiaries, since May 2021, supervisor of Suzhou Zhaowei Venture Capital Co., Ltd. (蘇州兆威創業投資有限公司), one of our subsidiaries, since May 2021 and supervisor of Wuhan Digital Design and Manufacturing Innovation Co., Ltd. (武漢數字化設計與製造創新中心有限公司) since July 2018.

Mr. Li was selected as a Technological Innovation and Entrepreneurship Talent (科技創新創業人才) in the Innovation Talent Promotion Scheme (創新人才推進計劃) organized by the Ministry of Science and Technology of the PRC in October 2018. He was selected as one of the New Leading Talents in Technological Innovation (科技創新領軍人才) in the Fourth Batch of National "Ten Thousand People's Scheme" Selected Personnel (第四批國家"萬人計劃"入選人員) by the Leadership Group of the National Special Support Plan for High-level Talents (國家高層次人才特殊支持計劃領導小組) in February 2019. He received a Special Prize for Scientific and Technological Progress (特等科技進步獎) for his innovations related to micro transmission technology in the Chinese Mechanical Industry Science and Technology Award Scheme (中國機械工業科學技術獎) co-organized by the Chinese Mechanical Industry Union (中國機械工業聯合會) and the Chinese Mechanical Engineering Society (中國機械工程學會) in October 2019. Mr. Li received a Gold Award (金獎) for his mobile phone camera lift module design in the Good Design (好設計) award scheme organized by the Innovation Design Alliance of China (中國創新設計產業戰略聯盟) in December 2019. Mr. Li was recognized as a China Machinery and Electric Industry Annual Innovation Figure (2021中國機電工業年度創新人物) by the China Machinery and Electric Industry Magazine (中國機電工業雜誌社) in January 2022. In addition, he was awarded a Tier-One Prize for his innovations related to small module powder metallurgy gear in the Guangdong Province Science and Technology Progress Award Scheme (廣東省科技進步獎) organized by the People's Government of Guangdong Province in March 2022.

Mr. Li is pursuing a master of business administration degree from Cheung Kong Graduate School of Business (長江商學院) of the PRC.

Mr. Li is the spouse of Ms. Xie Yanling, vice chairwoman of the Board.

Xie Yanling (謝燕玲), aged 50, has been a Director and the vice chairwoman of the Board of our Company since August 2016 and December 2017, respectively. Ms. Xie worked as the chief financial officer of our Company from April 2001 to February 2017. She has been re-designated as an executive Director in April 2025. Ms. Xie is primarily responsible for the Group's internal audit supervision and related matters.

Ms. Xie served as the director of Zhao Wei Enterprise (H.K.) Company Limited (兆威企業(香港)有限公司) from February 2013 to August 2017.

Ms. Xie has been serving as the director of ZhaoWei Machinery & Electronics (HongKong) Co., Limited (兆威機電(香港)有限公司), one of our subsidiaries, since October 2015, and the general partner of Qingmo Partnership since August 2016. She has also been serving as the executive director of Suzhou Zhaowei Venture Capital Co., Ltd. (蘇州兆威創業投資有限公司), one of our subsidiaries, since May 2021 and the executive director of Zhaowei Investment since April 2022.

Ms. Xie graduated from Guilin University of Aerospace Technology (桂林航天工業學院) (formerly known as Guilin Aerospace Technology School of Higher Professional Education (桂林航天工業高等專科學校)) of the PRC with a college diploma in computer application in June 1998, and from Cheung Kong Graduate School of Business (長江商學院) of the PRC in September 2021 with a master's degree in executive master of business administration.

Ms. Xie is the spouse of Mr. Li Haizhou, chairman of the Board.

Ye Shubing (葉曙兵), aged 55, has been a Director and general manager of our Company since August 2016 and January 2010, respectively. He served as a deputy general manager of our Company from August 2004 to December 2009. He has been re-designated as an executive Director in April 2025. Mr. Ye is primarily responsible for the Group's daily management and operations, and implementation of the Board's relevant production and operation decisions.

Mr. Ye has been serving as a general manager of Dongguan Zhaowei since October 2018. Prior to joining the Group, Mr. Ye successively worked as an assistant engineer in Guangzhou Fishing Vessel Company (廣州漁輪船舶公司) and as a division chief in Dongguan Mabuchi Industrial Co., Ltd. (東莞市萬寶至實業有限公司).

Mr. Ye graduated from Zhanjiang Fisheries College (湛江水產學院) of the PRC in July 1992 with a bachelor's degree in thermal power machinery and equipment. Mr. Ye has been elected as a deputy to the seventh session of the Shenzhen Municipal People's Congress (深圳市第七屆人民代表大會) since May 2021.

Mr. Ye was recognized as a High-Level Industrial Talent (Business Management Field) (高層次產業類人才(經營管理領域)) by the Human Resources Administration of Bao'an District, Shenzhen Municipality (深圳市寶安區人力資源局) of the PRC in August 2019. Mr. Ye received a Special Prize for Scientific and Technological Progress (特等科技進步獎) for his innovations related to micro transmission technology in the Chinese Mechanical Industry Science and Technology Award Scheme (中國機械工業科學技術獎) co-organized by the Chinese Mechanical Industry Union (中國機械工業聯合會) and the Chinese Mechanical Engineering Society (中國機械工程學會) in October 2019. Mr. Ye received a Gold Award for his mobile phone camera lift module design in the Good Design (好設計) award scheme organized by the Innovation Design Alliance of China (中國創新設計產業戰略聯盟) in December 2019. He was awarded a Tier-One Prize for his innovations related to small module powder metallurgy gear in the Guangdong Province Science and Technology Progress Award Scheme (廣東省科技進步獎) organized by the People's Government of Guangdong Province in March 2022. He is an associate senior engineer (副高級工程師) specializing in automation certified by the Human Resources and Social Security Administration of Shenzhen Municipality (深圳市人力資源和社會保障局) of the PRC since June 2023.

Li Ping (李平), aged 57, has been a Director and deputy general manager of our Company since December 2017 and August 2016, respectively. Mr. Li joined our Company in July 2002 and worked in different positions of our Group. He has been re-designated as an executive Director in April 2025. Mr. Li is primarily responsible for the Group's research and development management and related works.

Mr. Li has been serving as a general manager of Suzhou Drive Co., Ltd. (蘇州兆威驅動有限公司), one of our subsidiaries, since May 2021, and a director of Lingke Huizhi Technology Co., Ltd. (領科匯智科技有限公司) since July 2022. Prior to joining the Group, Mr. Li successively worked as an engineer in Qingfeng Machinery Factory (青峰機械廠), as an engineer in Shiyong Electric Appliance Factory (實用電器廠), as an engineer in Chunhechang Electric Appliance (Shenzhen) Co., Ltd. (春合昌電器(深圳)有限公司) and as an engineer in Shenzhen Bao'an District Fuyong Junda Manufacturing Factory (深圳市寶安區福永駿達製造廠).

Mr. Li graduated from Anhui Polytechnic University (安徽工程大學) (formerly known as Anhui Mechanical and Electrical College (安徽機電學院)) of the PRC in July 1992 with a bachelor's degree in thermal processing technology and equipment.

Mr. Li was recognized as a local-level talent (地方級領軍人才) by the Human Resources and Social Security Administration of Shenzhen Municipality (深圳市人力資源和社會保障局) of the PRC in July 2019. Mr. Li received a Special Prize for Scientific and Technological Progress (特等科技進步獎) for his innovations related to micro transmission technology in the Chinese Mechanical Industry Science and Technology Award Scheme (中國機械工業科學技術獎) co-organized by the Chinese Mechanical Industry Union (中國機械工業聯合會) and the Chinese Mechanical Engineering Society (中國機械工程學會) in October 2019. Mr. Li received a Gold Award for his mobile phone camera lift module design in the Good Design (好設計) award scheme organized by the Innovation Design Alliance of China (中國創新設計產業戰略聯盟) in December 2019. He was awarded a Tier-One Prize for his innovations related to small module powder metallurgy gear in the Guangdong Province Science and Technology Progress Award Scheme (廣東省科技進步獎) organized by the People's Government of Guangdong Province in March 2022. He is an associate senior engineer (副高級工程師) specializing in mechanical engineering certified by the Human Resources and Social Security Administration of Shenzhen Municipality (深圳市人力資源和社會保障局) of the PRC since July 2022. Mr. Li was appointed as an expert in the Expert Database of the Chinese Association of Automation (中國自動化學會專家庫) in December 2023.

EMPLOYEE REPRESENTATIVE DIRECTOR

Lu Zhiqiang (陸志強), aged 44, has been an employee representative Director of our Company since May 2025. He served as a mold design engineer of our Company from March 2010 to June 2014, and later as a manager of the engineering department of our Company from June 2014 to December 2024. He has been the head of Parts Centre since December 2024. Mr. Lu is primarily responsible for the business management of the Group's Parts Centre.

Prior to joining the Group, Mr. Lu served as a structural engineer of PROS Product Factory (富路素製品廠) from June 2003 to October 2007, and the head of the design department of Rimai Mould Dongguan Co., Ltd. (日邁模具東莞有限公司) from October 2007 to March 2010.

Mr. Lu graduated from Hubei Polytechnic University (湖北理工學院) (formerly known as Huangshi School of Higher Professional Education (黃石高等專科學校)) of the PRC in June 2003 with a college diploma in mold design and manufacturing, and from Huazhong University of Science and Technology (華中科技大學) of the PRC in January 2014 with a bachelor's degree in mechanical design, manufacturing and automation through an online course. He is also an associate senior engineer (副高級工程師) specializing in mechanical engineering certified by the Human Resources and Social Security Administration of Shenzhen Municipality (深圳市人力資源和社會保障局) of the PRC since August 2024. Mr. Lu was also rewarded as "2019 Bao'an Great Craftsman (2019年寶安大工匠)" by Shenzhen Bao'an District Federation of Trade Unions (深圳市寶安區總工會), Shenzhen Bao'an District Bureau of Industry and Information Technology (深圳市寶安區工業和信息化局), Shenzhen Bao'an District Bureau of Science and Technology Innovation (深圳市寶安區科技創新局), Shenzhen Bao'an District Human Resources Bureau (深圳市寶安區人力資源局), and Shenzhen Bao'an District Talent Work Bureau (深圳市寶安區人才工作局). He also accredited as "National Labor Model (全國勞動模範)" by Central Committee of the Communist Party of China (中國共產黨中央委員會) and the State Council of the People's Republic of China (中華人民共和國國務院) in April 2025.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Guo Xinmei (郭新梅), aged 54, has been an independent non-executive Director of our Company since May 2024. Ms. Guo is primarily responsible for supervising and providing independent advice on the operations and management of our Group.

Ms. Guo served as an accountant and director of the settlement department of Agricultural Bank of China Limited (中國農業銀行) in Dangyang City, Hubei Province from September 1993 to July 2001, a financial manager of Shenzhen ESUN Display Co., Ltd. (深圳市易尚展示器材有限公司) from August 2001 to September 2003, a financial director of Shenzhen Yamei Import and Export Trading Co., Ltd.* (深圳市亞美進出口貿易有限公司) from September 2003 to February 2008, an accounting manager of ViewSCM Corporation Ltd.* (深圳新合程供應鏈股份有限公司) from March 2008 to March 2009, a financial director of Ever Joy Group Limited (悅豐集團有限公司) from April 2009 to May 2012 and a financial director of Shenzhen Danbond Technology Co., Ltd. (深圳丹邦科技股份有限公司) from June 2012 to May 2015.

Ms. Guo previously served as an independent director of Moso Power Supply Technology Co., Ltd. (茂碩電源科技股份有限公司) (a company listed on Shenzhen Stock Exchange, stock code: 002660) from April 2017 to February 2021, an independent director of Shenzhen CDL Precision Technology Co., Ltd. (深圳市智動力精密技術股份有限公司) (a company listed on Shenzhen Stock Exchange, stock code: 300686) from February 2019 to July 2022, an independent director of NUODE New Materials Co., Ltd. (諾德新材料股份有限公司) (a company listed on Shanghai Stock Exchange, stock code: 600110) from September 2018 to May 2022 and an independent director of Huizhou Huiderui Lithium Battery Technology Co., Ltd. (惠州市惠德瑞鋰電科技股份有限公司) (a company listed on Beijing Stock Exchange, stock code: 833523) from November 2017 to November 2023.

Ms. Guo has been serving as a director, chief financial officer and secretary of the board of Genrui Biotech Inc. (深圳市錦瑞生物科技股份有限公司) since May 2015, and an independent director of Shenzhen Fluence Technology PLC. (深圳市超頻三科技股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 300647) since November 2023.

Ms. Guo graduated from Hubei Open University (湖北開放大學) (formerly known as Hubei Radio and Television University (湖北省廣播電視大學)) of the PRC in July 1993 with a college diploma in rural finance, and from Shanghai University of Finance and Economics (上海財經大學) of the PRC in January 2009 with a master's degree in business administration. Ms. Guo obtained the qualification as a senior accountant of the PRC in September 2013.

Zhou Changjiang (周長江), aged 51, has been an independent non-executive Director of our Company since February 2021. Dr. Zhou is primarily responsible for supervising and providing independent advice on the operations and management of our Group.

Dr. Zhou served as an engineer at Guang-mei-shan Railway Co., Ltd (廣梅汕鐵路有限責任公司), and a visiting scholar at Queensland University of Technology from January 2015 to December 2015.

Dr. Zhou has been serving as a professor since December 2017 and a doctoral supervisor of Hunan University (湖南大學). Dr. Zhou also held several positions in Hunan University (湖南大學) previously, including a lecturer from 2004 to 2007, a dean assistant from 2008 to 2013, an associate professor from June 2008 to October 2017 and a postdoctoral fellow from August 2014 to June 2017.

Dr. Zhou graduated from Central South University (中南大學) (previously known as Changsha Railway Institute (長沙鐵道學院)) of the PRC in June 1998 with a bachelor's degree in mechanical manufacturing and automation and in June 2004 with a master's degree in mechanical design and theory. Dr. Zhou graduated from Hunan University (湖南大學) of the PRC in June 2013 with a doctorate's degree in mechanical engineering.

Lin Sen (林森), aged 49, has been an independent non-executive Director of our Company since May 2025. Mr. Lin is primarily responsible for supervising and providing independent advice on the operations and management of our Group.

Mr. Lin has over 20 years of extensive experience in accounting, auditing, corporate finance and financial management. Mr. Lin worked as an auditor at Ernst & Young. Mr. Lin worked at PricewaterhouseCoopers International Limited from February 2001 to November 2006. Mr. Lin served as the chief financial officer of Palm Commerce Information Technology (China) Co., Ltd. (掌信彩通信息科技(中國)有限公司). From June 2017 to April 2019, Mr. Lin served as the chief financial officer of 7Road Holdings Limited (第七大道控股有限公司) (stock code: 797), a company listed on the Stock Exchange. From July 2017 to September 2022, Mr. Lin served as an independent non-executive Director of Crypto Flow Technology Limited (加冪科技有限公司) (formerly known as Loto Interactive Limited) (stock code: 8198), a company listed on the Stock Exchange. From March 2021 to August 2022, Mr. Lin served as the chief financial officer of Shenzhen Thunderstone Technology Co., Ltd. (深圳雷炎科技有限公司). From December 2021 to December 2024, Mr. Lin served as an independent director of Shenzhen Jiang & Associates Creative Design Co., Ltd. (深圳市傑恩創意設計股份有限公司) (stock code: 300668), a company listed on the Shenzhen Stock Exchange. From September 2022 to December 2023, Mr. Lin served as the chief capital officer of AsiaLinq Investments Pte. Ltd.

Mr. Lin currently serves as an independent director of each of (i) Metalpha Technology Holding Limited (NASDAQ: MATH), a company listed on NASDAQ, since December 2021, (ii) Pintec Technology Holdings Limited (NASDAQ: PT), a company listed on NASDAQ, since January 2023, as well as (iii) Bright Future Technology Holdings Limited (輝煌明天科技控股有限公司) (stock code: 01351), a company listed on the Stock Exchange, since December 2023. He currently serves as the financial director of Sinohope Hong Kong Limited (新火科技香港公司), a wholly-owned subsidiary of Sinohope Technology Holdings Limited (新火科技控股有限公司) (stock code: 1611), a company listed on the Stock Exchange, since December 2023.

Mr. Lin obtained a bachelor's degree in international business administration from Central University of Finance and Economics (中央財經大學) in 1998 and a master's degree of business administration from China Europe International Business School (中歐國際工商學院) in 2011. Mr. Lin has recently obtained a master's degree of business administration from National University of Singapore (新加坡國立大學) in January 2025. Mr. Lin is also a member of the Chinese Institute of Certified Public Accountants since October 2002.

SENIOR MANAGEMENT

Ye Shubing, aged 55, is our executive Director and general manager. Mr.YE is responsible for the Group's daily management and operations, and implementation of the Board's relevant production and operation decisions. See "Executive Directors" for details.

Li Ping, aged 57, is our executive Director and deputy general manager. Mr. LI is responsible for the Group's research and development management and related works. See "Executive Directors" for details.

Zuo Mei, aged 53, has been the chief financial officer of our Company since December 2017. She worked as a financial controller of our Company from February 2017 to December 2017. She is primarily responsible for strategic decisions, fund management and budget oversight of our Group.

Prior to joining our Group, Ms. Zuo served as the chief accountant, Youth League Committee Secretary and Party Office Director of Chongqing Metal Materials Co., Ltd. (重慶金屬材料股份有限公司) from July 1992 to February 2002. Ms. Zuo served as a financial manager of Shenzhen Haikuotiankong Industrial Co., Ltd. (深圳市海闊天空實業有限公司) from February 2002 to September 2002. She also held several positions in Shenzhen Maxonic Automation Control Co., Ltd. (深圳萬訊自控股份有限公司) (a company listed on Shenzhen Stock Exchange, stock code: 300112), including as a financial supervisor and deputy financial manager from September 2002 to December 2008, as a financial manager from December 2008 to October 2010, as an audit manager from October 2010 to June 2013, and as a senior financial manager from June 2013 to February 2017.

Ms. Zuo graduated from Chongqing University (重慶大學) (formerly known as Chongqing Institute of Architectural Engineering (重慶建築工程學院)) of the PRC in July 1992 with a college diploma in architectural financial accounting, and from Zhongnan University of Economics and Law (中南財經政法大學) in 2012 with a master's degree in business administration. Ms. Zuo obtained the qualification as an intermediate accountant of the PRC in May 2000. Ms. Zuo also holds the board secretary qualification conferred by the Shenzhen Stock Exchange (深圳證券交易所) since May 2011. Ms. Zuo was appointed as a member of the Professional Committee of Financial Controller of Shenzhen Public Companies Association* (深圳上市公司協會財務總監專業委員會) since October 2023.

Niu Dongfeng, aged 33, has been the secretary of the Board of our Company since August 2024 and has been appointed as one of our joint company secretaries since April 2025. He served as a chairman assistant of our Company from June 2024 to August 2024. He is primarily responsible for information disclosure management, internal control, legal and investor relations of our Group.

Prior to joining our Group, Mr. Niu served as a senior manager of the investment banking division of China Merchants Securities Co., Ltd. (招商證券股份有限公司) (a company listed on the Stock Exchange, stock code: 6099 and Shenzhen Stock Exchange, stock code: 600999) from December 2015 to April 2022, and a vice president of the investment banking division of Huatai United Securities Co., Ltd. (華泰聯合證券有限責任公司) from April 2022 to June 2024.

Mr. Niu graduated from Nankai University (南開大學) of the PRC in June 2013 with a bachelor's degree in economics and management, and in June 2015 with a master's degree in finance. He is a non-practising member of the Chinese Institute of Certified Public Accountants. He obtained the qualification certificate for the secretary of the board of directors of a public company in June 2024.

JOINT COMPANY SECRETARIES

Niu Dongfeng, aged 33, is the secretary of the Board of our Company, and has been appointed as one of our joint company secretaries with effect from the Listing Date. For biographical details of Mr. Niu, see "Senior Management."

Cheng Choi Ha, has been appointed as one of our joint company secretaries in April 2025, with effect from the Listing Date.

Ms. Cheng has over 15 years of experience in the corporate secretarial services field and providing professional corporate services to Hong Kong listed companies, as well as multinational, private and offshore companies. She is a senior manager of the Company Secretarial Services of Tricor Services Limited, a member of Vistra group, which is a global professional services provider specializing in integrated business, corporate and investor services.

Ms. Cheng obtained her bachelor's degree in business administration from Hong Kong Baptist University in December 2003. She is a Chartered Secretary, a Chartered Governance Professional, an Associate of The Hong Kong Chartered Governance Institute and an Associate of The Chartered Governance Institute in the United Kingdom.

CHANGE OF DIRECTOR INFORMATION

As of the date of this report, there were no changes to the information of Directors which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the Corporate Governance Report contained in the Company's annual report for the year ended 31 December 2025.

CORPORATE GOVERNANCE CULTURE AND VALUE

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that Shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

- satisfactory and sustainable returns to Shareholders;
- that the interests of those who deal with the Company are safeguarded;
- that overall business risk is understood and managed appropriately;
- the delivery of high-quality products and services to the satisfaction of customers; and
- that high standards of ethics are maintained.

CORPORATE GOVERNANCE PRACTICES

Prior to the Listing, the Group has proactively maintained high standards of corporate governance since its listing in Shenzhen Stock Exchange in December 2020.

The Board is committed to achieving high corporate governance standards and believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency. The Company has adopted the code provisions of the Corporate Governance Code ("**CG Code**") contained in Appendix C1 to the Hong Kong Listing Rules as the basis of the Company's corporate governance practices.

As the Company's Shares had not been listed on the Stock Exchange as of 31 December 2025, the CG Code was not applicable to the Company during the Reporting Period. The Board is of the view that throughout the period from the Listing Date and up to the date of this report, the Company has complied with all the applicable code provisions as set out in the CG Code.

The Board will periodically review and enhance its corporate governance practices to ensure that the Company continues to meet the requirements of the CG Code.

The Board is responsible for performing the functions set out in code provision A.2.1 of the CG Code, and in this regard, the Board has performed the following duties during the period from the Listing Date up to the date of this report:

(a) develop and review the Company's policies and practices on corporate governance;

(b) review and monitor the training and continuous professional development of the Directors and senior management of the Company;

(c) review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees of the Company; and

(e) review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for its leadership and control and is collectively responsible for promoting the Company's success by directing and supervising the Company's affairs. Directors take decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

The Directors have agreed to disclose to the Company in a timely manner for any changes of the number and nature of offices held in public companies or organizations and other significant commitments, as well as the identity of such public companies or organizations and an indication of the time involved, as required by the code provision under the CG Code.

Board Composition

Since the Listing Date and at the date of this report, the Board comprises the following Directors:

Executive Directors
Mr. Li Haizhou (Chairman)
Ms. Xie Yanling (Vice Chairwoman)
Mr. Ye Shubing
Mr. Li Ping

Employee Representative Director
Mr. Lu Zhiqiang

Independent Non-executive Directors
Ms. Guo Xinmei
Dr. Zhou Changjiang
Mr. Lin Sen

The biographical information of the Directors is set out in the section headed "Directors and Senior Management" of this report. Save as disclosed in the respective Director's biography under the section "Directors and Senior Management" of this report, there is no relationship (including financial, business, family or other material/relevant relationship(s)) between the Board members.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgment on corporate actions and operations.

Each of the Directors has confirmed he or she obtained the legal advice referred to in Rule 3.09D of the Listing Rules as regards the requirements under the Listing Rules that are applicable to him or her as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange on June 17, 2025, and they have confirmed they understood their obligations as a director of a listed issuer.

Chairperson and Chief Executive Officer

The chairman of the Company is Mr. Li Haizhou, while the general manager is Mr. Ye Shubing. The responsibility of the chairman is to preside over and govern the Board. The objective is to create an environment which allows its overall effective performance, meaningful contribution from each individual Director, in particular, to facilitate the effective contribution of non-executive Directors and ensure constructive relations between executive and non-executive Directors, and to ensure that the Board performs its duties, including discussing all important and appropriate issues in a timely manner. As the Company does not have a chief executive officer position, the general manager performs the same duties and is responsible for managing and supervising the day-to-day business activities of the Group.

Independent Non-executive Directors

The Board complies with the requirements of the Listing Rules regarding the appointment of at least three independent non-executive Directors (accounting for one-third of the Board members, one of whom possessing appropriate professional qualifications or accounting or related financial management expertise).

The Company has received written annual confirmation of independence from each of the independent non-executive Directors in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent.

DELEGATION BY THE BOARD

The Board reserves the right to make decisions on all major matters of the Company, including: approval and supervision of all policy matters, overall strategy and budget, internal control and risk management systems, major transactions (especially those that may involve conflict of interest), financial information, appointment of Directors and other significant financial and operational matters. Directors may recourse to seek independent professional advice in discharging their duties at the Company's expense, and they may also seek independent advice with the Company's senior management.

The day-to-day management, administration and operation of the Company are delegated to the senior management. The delegated functions and responsibilities are regularly reviewed by the Board. Management must obtain the approval of the Board before entering into any material transaction.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Code Provision B.2.2 states that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. According to the Articles of Association, the term of office for Directors is three years, and the term of office for Directors (including non-executive Directors and independent non-executive Directors) begins on the date of their appointment and ends when the current Board's term expires. If the term of office for Directors expires and a timely re-election has not taken place, the outgoing Directors shall continue to perform their duties in accordance with laws, administrative regulations, departmental rules, and the Articles of Association until the newly elected Directors take office. Subject to the relevant laws, regulations and regulatory rules of the place where the Company is listed, if the Board appoints new a Director to fill a temporary vacancy or to increase the number of Directors, the term of the appointed Director shall only extend to the first annual Shareholders' meeting following his/her appointment, at which time he/she shall be eligible for re-election.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board should assume responsibility for leadership and control of the Company and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses, for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities.

SHAREHOLDERS' MEETINGS, BOARD MEETINGS AND BOARD COMMITTEES' MEETINGS

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals in accordance with code provision C.5.1 of the CG Code. For regular Board meetings, the Company has put in place arrangements to ensure that all Directors are given an opportunity to include matters in the agenda, and notices of at least 14 days are given to give all Directors an opportunity to attend. For other Board meetings and Board committee meetings, reasonable notice is generally given by the Company.

The agenda and accompanying Board papers are dispatched at least three days before the intended Board meetings or Board committee meetings to ensure that the Directors have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting.

Minutes of Board meetings and Board Committees meetings record in detail matters considered and decisions reached by the Board and Board Committees including any questions raised by Directors. Draft minutes of each Board meeting and Board Committees meeting will be sent to Directors for their comments within a reasonable time after the date of the meeting. Minutes of Board meetings are available for inspection by Directors.

There are two types of Shareholders' meetings: annual Shareholders' meetings and extraordinary Shareholders' meetings. A Shareholders' meeting shall be convened by the board of directors. The annual Shareholders' meetings shall be convened once a year, and be held within 6 months after the end of the previous accounting year. The Board shall inform each Shareholder of the time, place and the agenda of the meeting not less than 21 days before the annual Shareholders' meetings, and shall inform each Shareholder the extraordinary Shareholders' meeting at least 15 days before the meeting.

At Board meetings, the senior management of the Company shall report the information regarding business activities and development of the Company to all Directors on a timely basis. The executive Directors shall also often communicate with the non-executive Directors for their opinions on the Company's business development and operations. If any Director or his/her associate (as defined under the Listing Rules) has related relationships with or interests in in any proposed resolution to be considered at the Board meeting, such Director shall abstain from voting on such resolution.

As the Company's shares were listed on the Stock Exchange on March 9, 2026, the code provisions in relation to the number of Board meetings and Board committees' meetings set out in the CG Code were not applicable to the Company for the year ended 31 December 2025. The attendance of each Director at the Board meeting, Board Committee meetings and the Shareholders' meetings of the Company held during the Reporting period is set out below:

	Attendance/Number of Meetings					
Name of Directors	Board	Audit Committee	Remuneration and Appraisal Committee	Nomination Committee	Strategy and ESG Committee	Shareholders' Meeting
Mr. Li Haizhou	7/7	–	–	1/1	2/2	2/2
Ms. Xie Yanling	7/7	2/4	–	–	2/2	2/2
Mr. Ye Shubing	7/7	–	3/3	–	2/2	2/2
Mr. Li Ping	7/7	–	–	–	2/2	2/2
Mr. Lu Zhiqiang	4/7	–	–	–	–	1/2
Ms. Guo Xinmei	7/7	4/4	3/3	–	–	2/2
Dr. Zhou Changjiang	7/7	2/4	3/3	1/1	2/2	2/2
Mr. Lin Sen	4/7	2/4	–	–	–	2/2

Starting from the Listing Date, the Company will comply with the provisions of C.5.1 of the CG Code and hold at least four Board meetings per year, approximately once every quarter.

The CG Code provides that the chairman shall at least annually hold meetings with independent non-executive directors without the presence of other directors. Since the Company was only listed on 9 March 2026, no separate meeting between the Chairman and the independent non-executive Directors was held in 2025.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that they remain informed and relevant for their contribution to the Board. The Company has updated all Directors on any material changes in the Listing Rules and corporate governance practices from time to time.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.

During the year ended 31 December 2025 and prior to the Listing, all Directors have received training on Director duties and responsibilities, corporate governance and regulatory updates, and relevant reading materials (including compliance manuals/legal and regulatory updates and seminar handouts) have been provided to Directors for their reference and study. Going forward, the Directors will participate in continuous professional development to develop and refresh their knowledge and skills. This ensures that their contribution to the Board remains informed and relevant.

The training received by the Directors for the year ended 31 December 2025 and up to date of this report is summarized below:

Name of Directors	Types of Continuous Professional Development Training
Mr. Li Haizhou	A and B
Ms. Xie Yanling	A and B
Mr. Ye Shubing	A and B
Mr. Li Ping	A and B
Mr. Lu Zhiqiang	A and B
Ms. Guo Xinmei	A and B
Dr. Zhou Changjiang	A and B
Mr. Lin Sen	A and B

Notes:

A: Attending seminars, meetings, forums and/or training courses.

B: Reading material provided by the external or the Company, including but not limited to latest information or Director's responsibilities and obligations in relation to the business of the Company, CG code and other applicable and latest regulatory regulations.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix C3 to the Hong Kong Listing Rules.

As the Company's Shares had not been listed on the Stock Exchange as of 31 December 2025, the Model Code was not applicable to the Company during the Reporting Period. However, specific enquiry has been made of all the Directors, and the Directors have confirmed that they have complied with the Model Code throughout the period from the Listing Date and up to the date of this report.

The Company has also established Administrative Measures for Information Disclosure (《信息披露管理辦法》) and Administrative Measures for the Compliance of Inside Information and Stock Trading (《內幕信息及股票交易合規管理辦法》) (the "**Regulations on Information Disclosure**") no less exacting than the Model Code for securities transactions by employees who, because of such office or employment, are likely to possess inside information in relation to the Company or its securities. The Regulations on Information Disclosure regulates the principles of information disclosure, content, responsibilities for information disclosure and confidentiality, and the process of assessment and disclosure and ensures that inside information could be identified timely and remain confidential until the disclosure of such information is appropriately approved, and the dissemination of such information shall be accurately, effectively and consistently made. To the best knowledge of the Company, no incident of non-compliance of the Regulations on Information Disclosure by the employees was noted by the Company during the period from the Listing Date and up to the date of this announcement.

BOARD DIVERSITY POLICY

To enhance the effectiveness of the Board and maintain high standards of corporate governance, the Company has adopted a Board Diversity Policy which sets out the objective and approach to achieving and maintaining Board diversity. The Company believes this is closely related to the sustainable growth of the business of the Company. According to the Board Diversity Policy, the selection of Board members will take into account a series of diversity criteria, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The final decision will be based on the overall merit and contributions the candidate brings to the Board.

The Nomination Committee is responsible for reviewing the diversity of the Board. The Nomination Committee will review the Board Diversity Policy from time to time, expand and review measurable objectives to ensure the continued effectiveness of the policy, and to monitor and evaluate the implementation of the Board Diversity Policy. At least once a year, the Nomination Committee will review the Board Diversity Policy and other diversity objectives to ensure the overall effectiveness of the Board is maintained. Additionally, at least once every two years, the Nomination Committee shall also assess the Company's diversity status, including the gender balance of the Board and discuss on the measurable objectives of achieving diversity of the Board, where necessary, and recommend to the Board for adoption. The Nomination Committee will discuss any revisions that may be necessary and make recommendations to the Board for approval.

The Company is fully aware that a diverse board will be conducive to ensuring the sustainable development of the Group and allow us to better undertake corporate and social responsibilities. As at the date of this annual report, an analysis of the Board's current composition based on the measurable objectives is set out below:

Gender	
Male:	6 Directors
Female:	2 Directors
Age Group	
41–50:	2 Directors
51–60:	6 Directors
Educational Background	
Others:	1 Director
Engineering:	4 Directors
Finance/Accounting:	2 Directors
Business administration:	1 Director
Education Degree	
Other levels:	1 Director
Bachelor:	3 Directors
Master:	3 Directors
Doctorate:	1 Director
Business Experience	
Engineering:	4 Directors
Finance/Accounting:	2 Directors
Business administration:	1 Director
Investment:	1 Director

The eight Directors of our Company cumulatively possess a wide variety of knowledge, skills and experience, including in areas of accounting, finance and engineering. They obtained degrees in various areas, including business administration, mechanical engineering and power machinery and engineering. The Company has three independent non-executive Directors with diverse industry backgrounds, accounting for one-third of the Board members.

The Company has also taken and will continue to take steps to promote gender diversity at all levels of the Company, including but not limited to the Board and the management levels. The Nomination Committee and the Board considered that the current composition of Board is sufficiently diverse and the Board has not set any measurable targets. The Company will continue to employ merit-based appointments in line with the Board Diversity Policy of the Company.

In order to build a pipeline of potential successors for the Board to increase gender diversity on the Board in the upcoming years, the Company will also proactively provide training to members of its senior management to create an inclusive workplace and may also work with human resources firms to identify potential successors to the Board.

NOMINATION POLICY

The Board has adopted a nomination policy which sets out the approach of the Nomination Committee in making recommendations to the Board on the appointment or re-appointment of Directors and senior management members and succession planning. The Nomination Committee is committed to ensuring that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

The major terms of the policy for the nomination of Directors and senior management members are as follows:

(I) the Nomination Committee shall actively communicate with the relevant departments of the Company to study the Company's demand for new Directors and senior management members and prepare written materials;

(II) the Nomination Committee may conduct extensive searches for candidates for the Directors and senior management members from the Company, its subsidiaries (its associates) and the recruitment market;

(III) to collect information about the profession, education background, job title, detailed work experience, all part-time jobs, etc. of the preliminary candidates and prepare written materials;

(IV) to seek the consent of the nominee to the nomination, and the nominee shall not be considered as a candidate for the Director or senior management member without such consent;

(V) to convene the meetings of the Nomination Committee to review the qualifications of the preliminary candidates in accordance with the qualification requirements for Directors and senior management members;

(VI) to submit proposals and relevant materials to the Board on candidates for Directors and newly appointed candidates for senior management members prior to the election of new Directors and the appointment of new senior management members;

(VII) to conduct other follow-up work based on the decisions and feedback of the Board.

Further, the nomination policy sets out the selection criteria in assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- reputation and integrity;
- professional qualifications and skills;
- accomplishment and experience in the industry of the Company;
- commitment in respect of available time and relevant interest;
- independence of proposed independent non-executive Directors;
- existing directorships of issuers listed on the Main Board or GEM of the Stock Exchange and other significant external time commitments; and
- diversity of the Board in all aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

Throughout the period from the Listing Date to the date of this report, there was no change in the composition of the Board.

The Nomination Committee will review the director nomination policy, as appropriate, to ensure its effectiveness.

BOARD INDEPENDENCE EVALUATION

The Company recognises the importance of board independence to corporate governance. In particular, the following mechanisms are in place in order to ensure that there is a strong independent element on the Board which is key to the Board's effectiveness:

Composition

The Board ensures the appointment of at least three independent non-executive Directors and at least one-third of its members being independent non-executive Directors (or such higher threshold as may be required by the Listing Rules from time to time), with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. Further, independent non-executive Directors will be appointed to the Board committees as required under the Listing Rules and as far as practicable to ensure independent views are available.

Independent Assessment in Nomination Practices

The Company has a nomination policy for the election of Directors. This policy, which sets out the criteria and procedures for selection and performance evaluation, provides guidance to the Board on the nomination and appointment of Directors (including independent non-executive Directors). The Nomination Committee strictly adheres to this policy with respect to the nomination and appointment of independent non-executive Directors and is mandated to assess annually the independence of such Directors to ensure they can continue to exercise independent judgment.

When assessing whether a potential candidate is qualified to become an independent non-executive Director of the Company, the Nomination Committee and the Board will consider, among other factors, whether the candidate is able to devote sufficient time to performing his or her duties as an independent non-executive Director, as well as the candidate's background and qualifications, in order to determine whether the candidate can bring independent views to the Board.

When considering whether an independent non-executive Director should be proposed for re-election, the Nomination Committee and the Board will assess and evaluate the Director's contribution to the Board during the term, particularly whether the independent non-executive Director was able to bring independent views to the Board.

The Board believes that this defined selection process promotes good corporate governance by supporting Board continuity and appropriate leadership at the Board level, enhancing Board effectiveness and diversity, and ensuring that independent views and input are available to the Board.

Board Decision Making

The Directors (including independent non-executive Directors), upon reasonable request, may seek external independent professional advice at the Company's expense to assist them in performing their duties. If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board that the Board has determined to be material, the matter shall be addressed at a physical Board meeting rather than by a written resolution. A Director who has a material interest in a contract, transaction or arrangement shall not vote on any Board resolution approving the same, nor be counted in the quorum for such resolution.

WHISTLEBLOWING POLICY

The Company has in place the Whistleblowing Policy for employees of the Company and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence and anonymity, with the Audit Committee or other designated committee (which comprises a majority of independent non-executive Directors as required under code provision D.2.6 of the CG Code) about possible improprieties in any matters related to the Group.

ANTI-CORRUPTION POLICY

The Company has also in place the Anti-Corruption Policy to safeguard against corruption and bribery within the Company. The Company has an internal reporting channel that is open and available for employees of the Company to report any suspected corruption and bribery. Employees can also make anonymous reports to the Internal Audit Department, which is responsible for investigating the reported incidents and taking appropriate measures. Any convicted cases will be reported to the Board and the Audit Committee. The Company continues to carry out anti-corruption and anti-bribery activities to cultivate a culture of integrity, and actively organizes anti-corruption training and inspections to ensure the effectiveness of anti-corruption and anti-bribery.

BOARD CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the required standard of dealings of securities transactions, as well as the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

BOARD COMMITTEES

The Board has established 4 committees, namely, the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy & ESG Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

AUDIT COMMITTEE

The Audit Committee consists of 3 members, namely Ms. Guo Xinmei, Dr. Zhou Changjiang and Mr. Lin Sen, all of whom are independent non-executive Directors. The Audit Committee is chaired by Ms. Guo Xinmei, an independent non-executive Director with appropriate professional qualifications.

The terms of reference of the Audit Committee are in compliance with Rule 3.21 of the Listing Rules and the CG Code set out in Appendix C1 of the Listing Rules. The main duties of the Audit Committee are as follows:

(I) to supervise and evaluate the external audit work;

(II) to review the Company's financial information; and

(III) to oversee the Company's financial reporting system, risk management and internal control systems (including to develop a whistleblowing policy and system to enable employees and other persons who deal with the Company (e.g. customers and suppliers) to raise their concerns about any possible improprieties about the Company to the Audit Committee, both covertly and anonymously).

During the Reporting Period, the Audit Committee held 4 meetings and reviewed the audited financial reports for the year ended 31 December 2024, profit distribution plan, management rules for the selection and appointment of accounting firms, re-appointment of domestic and appointment of overseas accounting firms, assessment on the performance of the accounting firms, internal control report and performance report of the Audit Committee, etc.

NOMINATION COMMITTEE

The Nomination Committee currently consists of 3 members, including 1 executive Director, namely Mr. Li Haizhou, and 2 independent non-executive Directors, Ms. Guo Xinmei and Dr. Zhou Changjiang. Ms. Guo Xinmei is the chairwoman of the Nomination Committee.

The terms of reference of the Nomination Committee are in compliance with the CG Code and Corporate Governance Report set out in Appendix C1 of the Listing Rules. The main duties of the Nomination Committee of the Company are as follows:

(I) to regularly review the structure, size and composition of the Board;

(II) to identify qualified candidates to join the Board;

(III) to assess the independence of the Directors; and

(IV) make recommendations to the Board on the appointment, re-appointment, and succession planning of Directors and the chief executive officer.

During the Reporting Period, the Nomination Committee held 1 meeting and which deliberated and approved "Proposal on the By-election of an Independent Non-executive Director of the Third Session of the Board of Directors", "Proposal on Determining the Roles of the Directors", and "Proposal on the Appointment of Joint Company Secretaries and the Authorized Representatives Responsible for Communication with the Stock Exchange under Rule 3.05 of the Listing Rules", etc.

REMUNERATION AND APPRAISAL COMMITTEE

The Remuneration and Appraisal Committee currently consists of 3 members, including 1 executive Director, namely Mr. Ye Shubing, and 2 independent non-executive Directors, namely Ms. Guo Xinmei and Dr. Changjiang. Dr. Changjiang is the chairman of the Remuneration and Appraisal Committee.

The terms of reference of the Remuneration and Appraisal Committee are in compliance with Rule 3.25 of the Listing Rules and the CG Code and Corporate Governance Report set out in Appendix C1 of the Listing Rules. The main responsibilities of the Remuneration and Appraisal Committee are as follows:

(I) to make recommendations to the Board on the remuneration policy and structure for all Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy;

(II) to review and approve proposals on the management's remuneration with reference to the corporate goals and objectives formulated by the Board;

(III) to be authorized to determine the specific remuneration packages of individual executive Directors and senior management members, or make recommendations to the Board on the remuneration packages of individual executive Directors and senior management members;

(IV) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

(V) to review and/or approve matters relating to share options or share award schemes under Chapter 17 of the Listing Rules.

During the Reporting Period, the Remuneration and Appraisal Committee held 3 meetings and discussed and considered recommending to the Board the remuneration package of individual executive Directors and senior management, and reviewed and recommended to the Board the remuneration policy and structure for all Directors and senior management of the Company.

Pursuant to code provision in Part 2 of the CG Code, details of the remuneration of the current senior management (excluding executive Directors), whose biographical details are included in section headed "Directors and Senior Management" of this report by bands for the Reporting Period is set out below:

Remuneration band (RMB)	Number of employees
Nil to 1,500,000	1
1,500,001 to 2,500,000	3

Details of the emoluments of the Directors and five highest paid individuals are set out in Notes 8 and 9 to the financial statements.

The Company's remuneration policy is to ensure that the remuneration offered to employees, including Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages of executive Directors are also determined with reference to the Company's performance and profitability, the prevailing market conditions and the performance or contribution of each Director.

STRATEGY AND ESG COMMITTEE

The Strategy and ESG Committee was established by the Board for studying and proposing recommendations on the Company's long-term development strategies and major investment decisions, formulating the Company's strategic development plans, guiding the formulation of the Company's ESG strategy and overseeing the Company's ESG matters. The ESG Committee consists of 5 members, including 4 executive Directors, namely Mr. Li Haizhou, Ms. Xie Yanling, Mr. Ye Shubing and Mr. Li Ping and 1 independent non-executive Director, namely Dr. Changjiang. Mr. Li Haizhou is the chairman of the Strategy and ESG Committee.

The Strategy and ESG Committee will meet on a regular basis. The main duties and authorities of the Strategy and ESG Committee are as follows:

(I) to study and make recommendations on the Company's long-term development strategy plans;

(II) to study and make recommendations on major investment and financing plans requiring approval from the Board as specified in the Articles of Association or authorized by the shareholders' meeting;

(III) to study and make recommendations on major capital operations and asset management projects requiring approval from the Board as specified in the Articles of Association or authorized by the shareholders' meeting;

(IV) to study and make recommendations on other significant matters that impact the Company's development;

(V) to study and make decision-making recommendations on major matters such as the Company's ESG objectives and philosophy, strategic planning, governance structure and management systems;

(VI) to oversee the implementation and execution of the Company's ESG objectives and make recommendations on actions necessary to achieve such objectives;

(VII) to review the Company's ESG-related disclosure documents, including but not limited to the annual ESG report, and report to the Board;

(VIII) to identify and assess risks related to the Company's ESG areas, and raise inquiries and propose response strategies regarding significant matters that affect the performance of the Company's ESG-related work;

(IX) to inspect and analyze the implementation of the above matters and make recommendations on adjustments and improvements to the Board;

(X) other matters as required by laws, regulations, rules, normative documents, the Articles of Association, these Terms of Reference, the regulatory provisions of the place where the Company's shares are listed, and as authorized by the Board.

During the Reporting Period, the Strategy and ESG Committee held 2 meetings and deliberated matters relating to the issuance of H shares of the Company for listing on the Stock Exchange, and discussed the ESG-related policies.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board acknowledges its responsibility for the internal control and risk management systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives and establishing and maintaining appropriate and effective internal control and risk management systems.

The Audit Committee monitors and manages the internal control and risk management systems, including but not limited to:

(I) to review the Company's financial control systems and unless expressly addressed by a separate risk committee under the Board, or by the Board itself, to review the Company's risk management and internal control systems;

(II) to discuss the risk management and internal control systems with the management to ensure that the management has performed his/her duties to have effective systems in place. This discussion should include the adequacy of resources, employee qualifications and experience of the Company's accounting and financial reporting function, training programs for employees and budget;

(III) to consider major investigation findings on risk management and internal control matters, and the management's response to these findings on its own initiative or as delegated by the Board;

(IV) to ensure that the work of internal and external auditors is coordinated; the internal audit function is adequately resourced and has appropriate standing within the Company; and to review and monitor the effectiveness of the internal audit function;

(V) to review the arrangements by which employees of the Company may raise concerns, in confidence, about possible misconduct in financial reporting, internal control or other matters, and to ensure that proper arrangements are put in place for impartial and independent investigation on these matters and for appropriate follow-up action; and

(VI) to develop a whistleblowing policy and system to enable employees and other persons who deal with the Company (e.g. customers and suppliers) to raise their concerns about any possible improprieties about the Company to the Audit Committee, both covertly and anonymously.

Internal Control

The Company has designated responsible personnel to monitor the ongoing compliance by the Company with the relevant PRC laws and regulations that govern the Company's business operations and oversee the implementation of necessary measures. In addition, the Company will provide the Directors, senior management and relevant employees with continuing training programs and/or updates regarding the relevant PRC laws and regulations on a regular basis with a view to proactively identify any concern and issue relating to any potential non-compliance.

The Company has adopted internal rules and policies governing various aspects of the business operations and management of the Company, including information system, physical assets, procurement, sales and marketing, financial reporting and human resources. For example, the Company has designed and implemented a series of internal control policies and procedures relating to the information system of the Company, such as encryption and authorization procedures, and data security practice guidelines for the employees of the Company. In addition, the Company has established internal control policies covering various aspects of human resource management such as recruiting, training, work ethics and legal compliance. Furthermore, the Company has adopted a set of policies and procedures in connection with the financial reporting management of the Company, such as financial and accounting policies, budget management procedures and financial statement preparation procedures.

The Company has engaged an independent internal control consultant to evaluate its internal control system in connection with the Listing. In April 2025, the internal control consultant conducted review procedures on the Company's internal control system, covering both entity-level controls and business process-level controls, and did not identify any material internal control weaknesses or failures. In May 2025, based on the review, the internal control consultant put forward recommendations. The Company has implemented rectification and improvement measures, as applicable, in response to the findings and recommendations. The internal control consultant performed follow-up procedures on the remedial measures in May 2025 and did not identify any material deficiencies in the Company's internal control system. Having considered the report prepared by the internal control consultant, the Board confirmed that all major recommendations provided have been followed and that corrective actions have been taken to address the Company's internal control deficiencies and weaknesses. The Board is of the view that the enhanced internal control measures are adequate and effective to ensure compliance with relevant laws and regulations going forward.

In addition, the Company has also appointed an external compliance advisor with effect from the date of the Listing to advise on ongoing compliance with the Listing Rules and other applicable securities laws and regulations in Hong Kong.

Risk Management

The Company is exposed to various risks in the operations of its business and believes that risk management is important to its success. Key operational risks faced by the Company include, among others, its ability to retain and grow its customer base and usage, its ability to respond to technological changes, competition in the relevant industries, and its ability to successfully expand to and develop market recognition in various industry sectors. See "Risk Factors" for disclosures on various risks faced by the Company. In addition, the Company also faces numerous market risks, such as interest risk, foreign currency risk, credit risk and liquidity risk that arise in the ordinary course of its business. See "Financial Information – Quantitative and Qualitative Disclosures about Market Risks" for details.

The Company has implemented various policies and procedures to ensure effective risk management at each aspect of its operations, including administration of daily operations, data security, financial reporting procedures, and compliance with applicable laws and regulations. The Board oversees and manages the overall risks associated with the Company's operations. The Company has established an Audit Committee to review and supervise the financial reporting process and internal control system of the Group.

Internal Audit Department

The internal audit department of the Company is directed and supervised by the Audit Committee. In directing and supervising the work of the internal audit department, the Audit Committee shall fulfil the following main duties:

(I) to direct and supervise the establishment and implementation of the internal audit system;

(II) to review the Company's annual internal audit work plan;

(III) to supervise the implementation of the Company's internal audit plan;

(IV) to direct the effective operation of the internal audit department; the internal audit department of the Company shall report to the Audit Committee, and all types of audit reports, plans for the rectification of audit issues and the status of rectification submitted by the internal audit department to the management shall be submitted to the Audit Committee at the same time;

(V) to report to the Board on the progress and quality of internal audit work, as well as significant issues identified; and

(VI) to coordinate the relationship between the internal audit department and external auditors such as the accounting firms and the national audit institutions.

The Audit Committee is responsible for supervising and instructing the internal audit department to conduct inspections on the following matters no less than once every six months, and to issue inspection reports accordingly for submission to the Audit Committee.

The Audit Committee will issue an annual internal control evaluation report based on the evaluation report and relevant documents issued by the internal audit department. The internal control self-evaluation report shall include at least the following:

(I) a statement by the Board on the authenticity of the internal control report;

(II) an overview of the internal control evaluation work;

(III) the basis, scope, procedures and methods of the internal control evaluation;

(IV) the internal control deficiencies and their identification;

(V) the rectification of internal control deficiencies for the previous year;

(VI) the proposed rectification measures for internal control deficiencies for this year;

(VII) a conclusion on the effectiveness of internal controls.

For the year ended 31 December 2025 and up to the date of this report, the Board did not identify any material internal control weakness or failure. The Board has conducted a review of the effectiveness of the internal control and risk management systems of the Company once during the year ended 31 December 2025 and up to the date of this report, and considered the internal control and risk management systems to be effective and adequate and the Group has established an effective internal control and risk management system, which achieves the objectives of internal control and risk management of the Company and is free of material defect and significant defect. The review has been discussed by the management of the Company and evaluated by the Audit Committee.

DISCLOSURE POLICY

The Company has established Administrative Measures for Information Disclosure (《信息披露管理辦法》) and Administrative Measures for the Compliance of Inside Information and Stock Trading (《內幕信息及股票交易合規管理辦法》) which regulate the principles of information disclosure, content, responsibilities for information disclosure and confidentiality, and the process of assessment and disclosure and ensures that inside information could be identified timely and remain confidential until the disclosure of such information is appropriately approved, and the dissemination of such information shall be accurately, effectively and consistently made.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2025.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements. The senior management has provided to the Board necessary explanation and information to enable the Board to make an informed assessment of the financial information and position of the Company, which are put forward to the Board for approval.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. The statement of the Auditor about their reporting responsibilities on the Company's consolidated financial statements for the year ended 31 December 2025 is set out in the section headed "Independent Auditor's Report" in this report.

AUDITORS' REMUNERATION

An analysis of the remuneration paid/payable to the external auditors of the Company, in respect of audit services for the year ended 31 December 2025 is set out below:

Service Category	Fees Paid/Payable RMB'000
Audit Services	
– Auditors' remuneration paid/payable to Ernst & Young for annual audit services to the consolidated financial statements	1,509.43

JOINT COMPANY SECRETARIES

Mr. Niu Dongfeng, the joint company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures as well as the applicable laws, regulations and rules are being followed. Ms. Cheng Choi Ha of Tricor Services Limited, an external service provider and a member of Vistra Group, has been engaged by the Company as the other joint company secretary to assist to perform the duties of the joint company secretary of the Company. The primary contact person of the Company is Mr. Niu Dongfeng, an executive Director. Mr. Niu Dongfeng and Ms. Cheng Choi Ha have taken the required number of hours of relevant professional trainings.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, separate resolution should be proposed for each substantially separate issue at Shareholders' meetings, including the election of individual Director. All resolutions put forward at Shareholders' meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary Shareholders' Meeting

Shareholders who individually or jointly hold more than 10% of the Company's shares (including preference shares with restored voting rights) may request the Board to convene an extraordinary Shareholders' meeting by submitting such request in writing to the Board.

Putting Forward Proposals at Shareholders' Meetings

Shareholders who individually or jointly hold 1% or more of the Company's shares (including preference shares with restored voting rights) may put forward provisional proposals and submit the same to the convener in writing 10 days prior to the convening of the Shareholders' meeting.

The convener shall issue a supplementary notice of the Shareholders' meeting within 2 days upon receipt of the proposals to announce the contents of the provisional proposal and submit the provisional proposals to the Shareholders' meeting for consideration, however, except for the provisional proposals that violates the requirements of the laws, administrative regulations or the Articles of Association, or are not within the terms of reference of the Shareholders' meeting.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Office Building 101, No. 62 Yanhu Road, Yanchuan Community,
Yanluo Street, Baoan district, Shenzhen, PRC
(For the attention of the Board of Directors/Company Secretary)

Fax: +86-0755-27323949

Email: zqb@szzhaowei.net

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with Shareholders is critical to strengthen investor relations and enhance investors' understanding of the Company's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information that will enable Shareholders and investors to make informed investment decisions.

The annual Shareholders' meeting provides an opportunity for constructive communication between the Company and its Shareholders. The chairman of the Company and the chairmen of the Board Committees or their authorized representatives will attend the annual Shareholders' meeting to answer Shareholders' questions. The auditors will also be invited to attend the annual Shareholders' meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, accounting policies and auditors' independence.

In order to facilitate effective communication, the Company adopts a Shareholder communication policy aimed at establishing a two-way relationship and communication channel between the Company and Shareholders to ensure that Shareholders' opinions and concerns are properly responded to, and maintains the Company's website at http://www.szzhaowei.net which publishes the latest information on the Company's business operations and developments, financial information, corporate governance practices and other information, for public inspection. This policy is regularly reviewed on an annual basis to ensure that it is properly and effectively implemented. The Company communicates with investors and responds to investors' concerns through various channels including general meeting and results presentation conferences. Therefore, upon annual review, the management is of the view that the communication policy is effectively managed.

DIVIDEND POLICY

The articles of association of the Company ("**Articles of Association**") provides for the dividend policy and dividend ratio of the Company. Pursuant to the Articles of Association, the Board may declare dividends by cash and/or by stock in the future after taking into account the profitability, cash flow conditions, corporate development and capital needs of the Company. The Company may declare cash dividends provided that the distributable profits of the relevant fiscal year of the Company are positive, and that the Company does not have significant investment plans or cash expenditures in the next 12 months, assuming that such annual dividend is made, the capital requirements for ordinary business of the Company can still be met in the light of such investments or cash expenditures. The Company shall distribute cash dividends in an aggregate amount of not less than 30% of the average annual distributable profits over each consecutive three-year period.

Furthermore, provided that the specific conditions for cash dividends are met, the Company shall distribute annual cash dividends of not less than 20% of the distributable profits generated in the relevant fiscal year. Any declaration and payment as well as the amount of dividends will be subject to the constitutional documents of the Company, applicable PRC laws and approval by the Shareholders.

CHANGES IN CONSTITUTIONAL DOCUMENTS

In view of the Listing, the Company amended its Articles of Association effective from the Listing Date. From the Listing Date to the date of this Report, the Company has not made any amendments to its Articles of Association.

An up-to-date version of the Articles of Association is available on the website of the Company and the Stock Exchange's website.

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the members of Shenzhen Zhaowei Machinery & Electronics Co., Ltd.
(Incorporated in People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Shenzhen Zhaowei Machinery & Electronics Co., Ltd. and its subsidiaries (the "**Group**") set out on pages 105 to 199, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") as issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

KEY AUDIT MATTERS (Continued)

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
For the year ended 31 December 2025, the Group recorded a revenue of RMB1,716 million in the consolidated financial statements which was mainly derived from the sales of integrated micro transmission. Revenue recognition was significant to the financial statements due to its quantitative materiality, the large volume of transactions that were processed in the year and the risks that the revenue might not be recorded in the proper periods. Therefore, revenue recognition was identified as a key audit matter. The Group's disclosures about revenue recognition are included note 2.4 *Material accounting policies* and note 5 *Revenue, other income and gains* to the consolidated financial statements.	Our audit procedures in relation to the assessment of revenue recognition included the following: (1) Obtained an understanding of, evaluated and tested management's internal controls over the revenue recognition process; (2) Tested, on a sampling basis, the timing and amount of revenue recognised for the year are appropriate by checking to the supporting documents such as sales contracts, sales orders, logistics documents, customer acceptance documents, export declarations, sales invoices and bank statements; (3) Tested, on a sampling basis, sales transactions recorded before and after the balance sheet date by tracing to the supporting documents such as sales contracts, sales orders, logistics documents, customer acceptance documents and export declarations to assess whether relevant revenue had been recognised in correct accounting periods; (4) Performed analytical review of revenue to assess the reasonableness of revenue fluctuations during the year; (5) Evaluated the appropriateness of revenue disclosures in the consolidated financial statements.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses on trade receivables	
As at 31 December 2025, the Group had trade receivables which measured at amortised cost of RMB520 million, representing approximately 17.0% of the current assets of the Group. The impairment of trade receivables was assessed based on the expected credit loss model. Management used a provision matrix to calculate the expected credit losses for trade receivables. The application of the provision matrix requires to consider all reasonable and reliable information, including customers' credit risks, aging of receivables, existence of disputes and historical payments, as well as forecasts of future economic conditions, which involved significant management's judgement and estimation. The Group's disclosures about trade receivables are included in note 2.4 *Material accounting policies*, note 3 *Significant accounting judgements and estimates* and note 20 *Trade and notes receivables* to the consolidated financial statements.	In evaluating management's assessment of provision for expected credit losses of trade receivables, our audit procedures included the following: (1) Obtained an understanding of, evaluated and tested management's controls in relation to the assessment of the expected credit losses of trade receivables; (2) Discussed with management to obtain the understanding of the nature and the judgement involved in estimating the expected credit loss provision for trade receivables; (3) Assessed the estimated credit loss rates by considering historical cash collection and movements of the ageing of receivables, the market conditions and forward-looking factors and tested on a sample basis, the accuracy of ageing analysis of trade receivables prepared by management; (4) For trade receivables with individually assessed credit risk exposure, discussed with management on the reasonableness of identification and analysed the recoverability of such receivable; (5) Examined on a sample basis, the subsequent settlement of trade receivables to cash receipts and the related supporting documentation; and (6) Reviewed the disclosures made in the Group's consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the IASB and the disclosure requirements of Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Yat Him (practising certificate number: P08017).

Ernst & Young
Certified Public Accountants
Hong Kong
30 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	2025 RMB'000	2024 RMB'000
REVENUE	*5*	**1,715,534**	1,524,599
Cost of sales		**(1,142,726)**	(1,049,031)
Gross profit		**572,808**	475,568
Other income and gains	*5*	**78,436**	94,356
Selling and marketing expenses		**(66,305)**	(60,275)
Administrative expenses		**(125,430)**	(93,623)
Research and development costs		**(174,303)**	(155,136)
Impairment losses on financial assets, net	*6*	**(351)**	(6,334)
Other expenses		**(4,401)**	(2,038)
Finance costs	*7*	**(2,536)**	(2,411)
Share of losses of an associate	*6*	**(1,349)**	(5,391)
PROFIT BEFORE TAX	*6*	**276,569**	244,716
Income tax expense	*10*	**(21,394)**	(19,297)
PROFIT FOR THE YEAR		**255,175**	225,419
Attributable to:			
Owners of the parent		**255,175**	225,419
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*12*		
Basic (RMB)			
– for profit for the year		**1.07**	0.94
Diluted (RMB)			
– for profit for the year		**1.06**	0.94

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2025

	2025 RMB'000	2024 RMB'000
PROFIT FOR THE YEAR	**255,175**	225,419
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(8)**	(25)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(8)**	(25)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value, net of tax	**(2,474)**	(639)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(2,474)**	(639)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(2,482)**	(664)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**252,693**	224,755
Attributable to:		
Owners of the parent	**252,693**	224,755

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 DECEMBER 2025

	Notes	2025 RMB'000	2024 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**1,087,855**	1,023,773
Intangible assets	*14*	**12,098**	12,571
Right-of-use assets	*15*	**41,971**	47,309
Investment in an associate	*17*	**61,260**	62,613
Equity investments designated at fair value through other comprehensive income	*16*	**36,072**	17,020
Financial assets at fair value through profit or loss	*22*	**1,500**	1,500
Deferred tax assets	*31*	**6,815**	198
Other non-current assets	*18*	**16,752**	17,530
Total non-current assets		**1,264,323**	1,182,514
CURRENT ASSETS			
Inventories	*19*	**210,276**	184,124
Trade and notes receivables	*20*	**593,781**	577,495
Prepayments, other receivables and other assets	*21*	**70,159**	40,737
Financial assets at fair value through profit or loss	*22*	**838,976**	902,726
Debt investments at fair value through other comprehensive income	*23*	**1,123,306**	928,701
Restricted bank deposits	*24*	**35,189**	62
Time deposits	*24*	**–**	80,734
Cash and cash equivalents	*24*	**181,781**	224,817
Total current assets		**3,053,468**	2,939,396

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 DECEMBER 2025

	Notes	2025 RMB'000	2024 RMB'000
CURRENT LIABILITIES			
Trade and notes payables	*26*	**399,095**	434,335
Contract liabilities	*29*	**10,335**	19,257
Other payables and accruals	*27*	**162,015**	178,543
Financial liabilities at fair value through profit or loss	*28*	**–**	21,536
Interest-bearing bank borrowings	*25*	**169,638**	140,980
Lease liabilities	*15*	**4,103**	4,434
Tax payables		**4,361**	3,683
Total current liabilities		**749,547**	802,768
NET CURRENT ASSETS		**2,303,921**	2,136,628
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,568,244**	3,319,142
NON-CURRENT LIABILITIES			
Lease liabilities	*15*	**3,178**	7,189
Deferred tax liabilities	*31*	**31,083**	32,649
Deferred income	*30*	**50,989**	53,093
Total non-current liabilities		**85,250**	92,931
Net assets		**3,482,994**	3,226,211
EQUITY			
Equity attributable to owners of the parent			
Share capital	*32*	**240,734**	240,204
Treasury shares	*32*	**(13,226)**	(26,959)
Reserves	*33*	**3,255,486**	3,012,966
Total equity		**3,482,994**	3,226,211

Li Haizhou
Director

Xie Yanling
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2025

	Share capital RMB'000 *(note 32)*	Capital reserve RMB'000 *(note 33)*	Share option reserve RMB'000 *(note 33)*	Treasury shares RMB'000 *(note 32)*	Fair value reserve RMB'000 *(note 33)*	Exchange fluctuation reserve RMB'000 *(note 33)*	Statutory surplus reserve RMB'000 *(note 33)*	Retained earnings RMB'000	Total equity RMB'000
At 1 January 2024	171,008	1,894,608	–	(7,783)	11,758	1,453	85,504	931,134	3,087,682
Profit for the year	–	–	–	–	–	–	–	225,419	225,419
Other comprehensive income for the year:									
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	(639)	–	–	–	(639)
Exchange differences related to foreign operations	–	–	–	–	–	(25)	–	–	(25)
Total comprehensive income for the year	–	–	–	–	(639)	(25)	–	225,419	224,755
Issuance of restricted shares *(note 32)*	1,263	25,696	–	(26,959)	–	–	–	–	–
Repurchase of restricted shares forfeited during the year *(note 32)*	(470)	(7,607)	–	7,504	–	–	–	573	–
Share-based payment expenses *(note 34)*	–	–	7,550	–	–	–	–	–	7,550
Transfer to retained earnings	–	–	–	–	–	–	15,516	(15,516)	–
Dividends declared	–	–	–	279	–	–	–	(94,055)	(93,776)
Issue of bonus shares *(note 34)*	68,403	(68,403)	–	–	–	–	–	–	–
At 31 December 2024	240,204	1,844,294*	7,550*	(26,959)	11,119*	1,428*	101,020*	1,047,555*	3,226,211

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2025

	Share capital RMB'000 *(note 32)*	Capital reserve RMB'000 *(note 33)*	Share option reserve RMB'000 *(note 33)*	Treasury shares RMB'000 *(note 32)*	Fair value reserve RMB'000 *(note 33)*	Exchange fluctuation reserve RMB'000 *(note 33)*	Statutory surplus reserve RMB'000 *(note 33)*	Retained earnings RMB'000	Total equity RMB'000
At 1 January 2025	240,204	1,844,294	7,550	(26,959)	11,119	1,428	101,020	1,047,555	3,226,211
Profit for the year	–	–	–	–	–	–	–	255,175	255,175
Other comprehensive income for the year:									
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	(2,474)	–	–	–	(2,474)
Exchange differences related to foreign operations	–	–	–	–	–	(8)	–	–	(8)
Total comprehensive income for the year	–	–	–	–	(2,474)	(8)	–	255,175	252,693
Exercise of share options	537	29,320	(714)	–	–	–	–	–	29,143
Issuance of restricted shares *(note 32)*	–	17,838	(9,788)	13,405	–	–	–	–	21,455
Repurchase of restricted shares forfeited during the year *(note 32)*	(7)	–	(142)	149	–	–	–	–	–
Share-based payment expenses *(note 34)*	–	–	21,862	–	–	–	–	–	21,862
Transfer to retained earnings	–	–	–	–	–	–	19,347	(19,347)	–
Dividends declared	–	–	–	179	–	–	–	(68,549)	(68,370)
At 31 December 2025	240,734	1,891,452*	18,768*	(13,226)	8,645*	1,420*	120,367*	1,214,834*	3,482,994

* These reserve accounts comprised the consolidated reserves of RMB3,255,486,000 in the consolidated statements of financial position as at 31 December 2025 (2024: RMB3,012,966,000), respectively.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	2025 RMB'000	2024 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**276,569**	244,716
Adjustments for:			
Bank interest income	*6*	**(10,357)**	(9,439)
Other interest income from debt investment at fair value through other comprehensive income	*6*	**(23,838)**	(25,306)
Finance costs	*7*	**2,536**	2,411
Loss on disposal of items of property, plant and equipment, net	*6*	**2,195**	618
Loss on disposal of intangible assets	*6*	**77**	43
Loss on disposal of items of right-of-use assets, net	*6*	**–**	81
Depreciation of property, plant and equipment	*6*	**97,153**	74,873
Amortisation of intangible assets	*6*	**2,979**	2,788
Depreciation of right-of-use assets	*6*	**5,502**	5,212
Share of losses of an associate	*6*	**1,349**	5,391
Write-down of inventories to net realisable value, net	*6*	**4,569**	3,550
Impairment of trade and notes receivables, net	*6*	**301**	7,319
Impairment/(reversal of impairment) of other receivables, net	*6*	**50**	(985)
Investment income from financial assets at fair value through profit or loss	*6*	**(3,349)**	(17,427)
Fair value gains on financial assets at fair value through profit or loss	*6*	**(21,208)**	(19,896)
Share-based payment expenses	*34*	**12,473**	5,264
		347,001	279,213
Increase in inventories		**(22,083)**	(23,205)
Increase in trade and notes receivables		**(16,587)**	(151,087)
Increase in bank acceptance notes		**(48,674)**	(9,147)
Increase in prepayments, other receivables and other assets		**(6,850)**	(10,820)
(Decrease)/Increase in trade and notes payables		**(43,061)**	25,791
(Decrease)/increase in other payables and accruals		**(43,010)**	1,128
(Decrease)/increase in deferred income		**(2,104)**	13,830
Cash generated from operations		**164,632**	125,703
Interest received		**8,322**	4,553
Income tax paid		**(13,540)**	(6,574)
Net cash flows from operating activities		**159,414**	123,682

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025

	2025 RMB'000	2024 RMB'000
CASH FLOWS USED IN INVESTING ACTIVITIES		
Proceeds from sales of financial assets at fair value through profit or loss	**1,172,469**	1,152,266
Proceeds from debt investments at fair value through other comprehensive income	**173,009**	279,302
Proceeds from time deposits	**217,334**	81,201
Receipt of deposit for property, plant and equipment	**732**	850
Proceeds from disposal of items of property, plant and equipment	**149**	307
Purchases of property, plant and equipment	**(168,574)**	(165,957)
Additions of other intangible assets	**(1,951)**	(2,687)
Additions of guarantee deposit for wealth management products	**(35,127)**	–
Purchases of financial investments at fair value through other comprehensive income	**(20,000)**	(900)
Purchases of financial assets at fair value through profit or loss	**(1,106,937)**	(1,071,688)
Purchases of debt investments at fair value through other comprehensive income	**(292,325)**	(311,375)
Purchases of time deposits	**(135,000)**	(30,000)
Return of deposit for property, plant and equipment	**(1,200)**	(1,100)
Net cash flows used in investing activities	**(197,421)**	(69,781)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank borrowings	**428,402**	192,914
Repayment of bank borrowings	**(369,000)**	(35,000)
Interest on bank borrowings	**(126)**	(1,196)
Cash received from exercise of share options	**22,817**	–
Proceeds from issue of restricted shares	**–**	26,959
Receipt of deposits	**1,169**	2,185
Dividends paid	**(68,230)**	(93,482)
Repurchase of restricted shares forfeited	**(149)**	(8,077)
Lease payments	**(4,849)**	(4,576)
Payment of deposits	**(1,145)**	(2,397)
Payment for listing expense	**(11,944)**	–
Net cash flows used in/from financing activities	**(3,055)**	77,330

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 RMB'000	2024 RMB'000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(41,062)**	131,231
Cash and cash equivalents at beginning of year		**224,817**	91,734
Effect of foreign exchange rate changes, net		**(1,974)**	1,852
CASH AND CASH EQUIVALENTS AT END OF YEAR		**181,781**	224,817
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statements of financial position	*24*	**181,781**	224,817

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Shenzhen, People's Republic of China (the "**Chinese mainland**") on 19 April 2001, which was converted into a joint stock company on 10 January 2018. With the approval of the China Securities Regulatory Commission, the Company completed its initial public offering and was listed on the Main Board of the Shenzhen Stock Exchange (stock code: 003021) on 4 December 2020. The H shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") on 9 March 2026 (Stock code: 02692). The registered office address of the Company is Office Building 101, No. 62 Yanhu Road, Yanchuan Community, Yanluo Street, Baoan district, Shenzhen, the Chinese mainland.

In the opinion of the directors, Li Haizhou and Xie Yanling are collectively considered as the actual controllers of the Company as of the end of reporting periods.

During the reporting periods, the Company and its subsidiaries (together, the "**Group**") was involved in the integrated micro transmission and drive system products.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of the principal subsidiaries are set out below:

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	
Dongguan Zhaowei Machinery & Electronics Co.,Ltd.* (東莞市兆威機電有限公司(note a))	PRC/Chinese mainland 31 October 2018	RMB230,000,000	100%	–	Provision of integrated micro transmission and drive system products
Suzhou Zhaowei Drive Co., Ltd. * (蘇州兆威驅動有限公司 (note b))	PRC/Chinese mainland 06 May 2021	RMB100,000,000	100%	–	Provision of integrated micro transmission and drive system products
Shenzhen Zhaowei Dexterous Hand Technology Co., Ltd. * (深圳市兆威靈巧手技術有限公司 (note b))	PRC/Chinese mainland 18 March 2025	RMB50,000,000	100%	–	Research, development, and manufacture of embodied robotic products

1. CORPORATE INFORMATION (Continued)

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	
ZW Drive GmbH	Germany 06 July 2020	EUR700,000	100%	–	Trade in plastic raw materials, mechanical and electrical products, moulds, metal products, plastic products, gearboxes, electrical drives and the provision of related services
ZW Drive. Inc	United States 20 April 2024	USD3,000,000	100%	–	Investment holding

Notes:

(a) The statutory financial statements of this entity for the years ended 31 December 2024 prepared in accordance with PRC Generally Accepted Accounting Principles ("**PRC GAAP**") were audited by Shenzhen Zhongli Certified Public Accountants (General Partnership) (深圳中立會計師事務所(普通合夥)), certified public accountants registered in the Chinese mainland.

(b) As at the date of this report, no audited financial statements have been prepared for these entities as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in the jurisdictions of incorporation or newly incorporated.

* The English names of these companies registered in the Chinese mainland represent the best effort made by the directors of the Company (the "**Directors**") to translate the Chinese names as these companies have not been registered with any official English names.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the periods or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with IFRS Accounting Standards (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) as issued by the International Accounting Standards Board (the "**IASB**"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value. 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 consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2025. 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.

2. ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Basis of consolidation (Continued)

The financial information of the subsidiaries is prepared for the same reporting 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 Changes in accounting policies and disclosures

The Group has adopted amendments to HKAS 21 *Lack of Exchangeability* for the first time for the current year's financial statements. The Group has not early adopted any other standard or amendment that has been issued but is not yet effective.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. As the currencies that the Group had transacted in and the functional currencies of overseas subsidiaries, joint ventures and associates for translation into the Group's presentation currency were exchangeable, the amendments did not have any impact on the Group's financial statements.

2. ACCOUNTING POLICIES (Continued)

2.3 Issued but not yet effective IFRS accounting standards

The Group has not applied the following revised IFRS Accounting Standards that have been issued but are not yet effective, in the financial statements. The Group intends to apply these new and revised IFRS Accounting Standards, if applicable, when they become effective.

IFRS 18	*Presentation and Disclosure in Financial Statements*[2]
IFRS 19 and its amendments	*Subsidiaries without Public Accountability: Disclosures*[2]
Amendments to IFRS 9 and IFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[1]
Amendments to IFRS 9 and IFRS 7	*Contracts Referencing Nature-dependent Electricity*[1]
Amendments to IAS 21	*Translation to a Hyperinflationary Presentation Currency*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Annual Improvements to IFRS Accounting Standards – Volume 11	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7[1]

[1] Effective for annual periods beginning on or after 1 January 2026
[2] Effective for annual/reporting periods beginning on or after 1 January 2027
[3] No mandatory effective date yet determined but available for adoption

Further information about those IFRS Accounting Standards that are expected to be applicable to the Group is described below.

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 currently analysing the new requirements and assessing the impact of IFRS 18 on the presentation and disclosure of the Group's financial statements.

2. ACCOUNTING POLICIES (Continued)

2.3 Issued but not yet effective IFRS accounting standards (Continued)

IFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10 Consolidated Financial Statements, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with IFRS Accounting Standards. IFRS 19 was amended in 2025 to (i) remove disclosure objectives from IFRS 19; (ii) reduce the disclosure requirements relating to supplier finance arrangements and a specific class of financial liabilities; and (iii) replace disclosure requirements relating to management-defined performance measures with a cross-reference to IFRS 18 for entities that use these measures. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply IFRS 19 and its amendments. Some of the Company's subsidiaries are considering the application of IFRS 19 and its amendments in their specified financial statements.

Amendments to IFRS 9 and IFRS 7 *Amendments to the Classification and Measurement of Financial Instruments* clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 9 and IFRS 7 *Contracts Referencing Nature-dependent Electricity* clarify the application of the "own-use" requirements for in-scope contracts and amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts. The amendments also include additional disclosures that enable users of financial statements to understand the effects these contracts have on an entity's financial performance and future cash flows. The amendments relating to the own-use exception shall be applied retrospectively. Prior periods are not required to be restated and can only be restated without the use of hindsight. The amendments relating to the hedge accounting shall be applied prospectively to new hedging relationships designated on or after the date of the initial application. Earlier application is permitted. The amendments to IFRS 9 and IFRS 7 shall be applied at the same time. The amendments are not expected to have any significant impact on the Group's financial statements.

2. ACCOUNTING POLICIES (Continued)

2.3 Issued but not yet effective IFRS accounting standards (Continued)

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB. However, the amendments are available for adoption now.

Amendments to IAS 21 *Translation to a Hyperinflationary Presentation Currency* require the translation from a non-hyperinflationary functional currency into a hyperinflationary presentation currency at the closing rate. The amendments also require an entity whose functional currency and presentation currency are the currency of a hyperinflationary economy to restate the comparative amounts of a foreign operation whose functional currency is that of a non-hyperinflationary economy, by applying the general price index, in accordance with paragraph 34 of IAS 29 *Financial Reporting in Hyperinflationary Economies*, to the foreign operation's comparative figures. The amendments introduce certain additional disclosures. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to IFRS *Accounting Standards – Volume 11* set out amendments to IFRS 1, IFRS 7 (and the accompanying Guidance on implementing IFRS 7), IFRS 9, IFRS 10 and IAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 7 *Financial Instruments: Disclosures*: The amendments have updated certain wording in paragraph B38 of IFRS 7 and paragraphs IG1, IG14 and IG20B of the Guidance on implementing IFRS 7 for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the Guidance on implementing IFRS 7 does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- IFRS 9 *Financial Instruments*: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply paragraph 3.3.3 of IFRS 9 and recognise any resulting gain or loss in profit or loss. However, the amendments do not address how a lessee distinguishes between a lease modification as defined in IFRS 16 and an extinguishment of a lease liability in accordance with IFRS 9. In addition, the amendments have updated certain wording in paragraph 5.1.3 of IFRS 9 and Appendix A of IFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2. ACCOUNTING POLICIES (Continued)

2.3 Issued but not yet effective IFRS accounting standards (Continued)

- IFRS 10 *Consolidated Financial Statements*: The amendments clarify that the relationship described in paragraph B74 of IFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of IFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- IAS 7 *Statement of Cash Flows*: The amendments replace the term "cost method" with "at cost" in paragraph 37 of IAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

2.4 Material accounting policies

Investment in an associate

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate is 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 an associate is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of an associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investment in an associate.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

Fair value measurement

The Group measures 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 economic best 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 in its highest and best use or by selling it to another market participant that would use the asset in 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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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 recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for a non-financial asset is required (other than inventories, 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.

An impairment loss is recognised 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 profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised 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/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

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. ACCOUNTING POLICIES (Continued)

2.4 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 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:

Buildings	4.5%
Machine equipment	9.70% to 19.40%
Electronic equipment	32.33%
Transportation equipment	24.25%
Other equipment	19.40%
Renovation and leasehold improvement	Shorter of remaining lease terms and estimated useful lives

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 the end of each reporting period.

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 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.

2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

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 amortized 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 the end of each reporting period.

Intangible assets with definite useful lives are amortized on the straight-line basis over the following useful economic lives:

Software	3 to 10 years

Research and development costs

All research costs are charged to 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.

2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

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.

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 recognised at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any 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 recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. 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:

Properties	2 to 5 years
Leasehold land	30 to 50 years

2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

Leases (Continued)

Group as a lessee (Continued)

(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.

(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 office and employee dormitory (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 that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, 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 amortised 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 recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

Investments and other financial assets (Continued)

Financial assets 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 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 profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

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 recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes 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.

2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

Impairment of financial assets

The Group recognises 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.

General approach

ECLs are recognised 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 90 days 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.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. Debt investments graded in the top investment categories are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk of debt investments since origination, the allowance will be based on the lifetime ECL.

2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and 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 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 each reporting date. 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.

2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

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, as appropriate.

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.

The Group's financial liabilities include trade payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings, and financial liabilities at fair value through profit or loss.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities at amortised cost (trade and other payables, loans and borrowings)

After initial recognition, trade payables, other payables and accruals, interest-bearing bank borrowings, and financial liabilities measured at amortized cost, 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 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 profit or loss.

2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

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 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 (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in 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 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.

Cash and cash equivalents

Cash and cash equivalents in the consolidated 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.

2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

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 each reporting period, taking into consideration interpretations and practices reporting 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 each 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, associates 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. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carry forward 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 carry forward 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, associates and joint ventures, deferred tax assets are only recognised 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 utilised.

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 or the reporting periods 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 each 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.

2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

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 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 profit or loss by way of a reduced depreciation charge.

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.

Sales of products

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products for export sales and acceptance of the products for domestic sales. A portion of the sales of products is on vendor-managed inventory ("**VMI**") arrangements where the products are delivered to the customers' locations for their use. The control of the products is transferred when the products are used by the customers.

Some customers signed contract for the moulds manufactured by the Group specifically to satisfy the promise to deliver products to the customers at stand-alone selling prices. Revenue from the sales of moulds is recognised at point in time when the moulds are accepted and confirmed by the customer or when the bulk orders to manufacture the specified products are made by the customer.

2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

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.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognised when 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 recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

Share-based payments

The Group operates share option scheme and restricted share scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration 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 on which they are granted. The fair value of restricted shares refers to the fair value of the underlying ordinary shares and the fair value of share options is determined using black-scholes model. Further details are included in note 34 to the financial statements.

The cost of equity-settled transactions is recognised 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 recognised 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 profit or loss for a period represents the movement in the cumulative expense recognised 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 recognised. 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 recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised 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 recognised for the award is recognised immediately.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Chinese mainland are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

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 capitalised as part of the cost of those assets. The capitalisation 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. 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.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the consolidated financial statements. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

Foreign currencies

The financial statements 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 each reporting period. Differences arising on settlement or translation of monetary items are recognised in 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 recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting periods and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognized in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the average exchange rates of the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. 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 recognised in the financial statements:

Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgement on the future tax treatment of certain transactions and when certain matters relating to the income taxes have not been confirmed by the local tax bureau. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Classification of financial assets

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets. In determining the business model, the Group considers how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within) and, the way those risks are managed. In determining whether cash flows are going to be realised by collecting the financial assets' contractual cash flows, it is necessary for the Group to consider the reason, timing, frequency, and value of sales prior to the maturity date.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, 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.

Leases – Estimating the incremental borrowing rate ("IBR")

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Provision for expected credit losses on trade and notes receivables

The Group uses a provision matrix to calculate ECLs for trade and notes receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

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 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 period, 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 and notes receivables is disclosed in note 20 to the financial statements.

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 41 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple, make estimates about the discount for lack of marketability, and/or adjust quoted prices in active markets. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as level 3. Further details are included in note 16 to the financial statements.

4. OPERATING SEGMENT INFORMATION

The Group manages its business as a whole for the purpose of making decision on resource allocation and performance assessment, therefore, no operating segment information is presented.

Geographical information

(a) Revenue from external customers

	2025 RMB'000	2024 RMB'000
Chinese mainland	**1,514,858**	1,312,193
Other countries/regions	**200,676**	212,406
Total	**1,715,534**	1,524,599

The revenue information above is based on the locations of the customers.

(b) Non-current assets

Most of the Group's non-current assets are located in Chinese mainland. Thus, no geographic information is presented.

Information about major customers

Revenue from each of the major customers, which accounted for 10% or more of the Group's revenue during the reporting periods are set out below:

	2025 RMB'000	2024 RMB'000
Customer A	**281,604**	269,059

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2025 RMB'000	2024 RMB'000
Revenue from contracts with customers	**1,715,534**	1,524,599

Revenue from contracts with customers

(a) Disaggregated revenue information

	2025 RMB'000	2024 RMB'000
Types of goods or services		
Sales of products	**1,715,534**	1,524,599
Geographical markets		
Chinese mainland	**1,514,858**	1,312,193
Other countries/regions	**200,676**	212,406
Total revenue from contracts with customers	**1,715,534**	1,524,599
Timing of revenue recognition		
Products transferred at a point in time	**1,715,534**	1,524,599

The following table shows the amounts of revenue recognised in the reporting periods that were included in the contract liabilities at the beginning of the periods and recognised from performance obligations satisfied in previous periods:

	2025 RMB'000	2024 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of products	**19,257**	21,409

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sales of products

The performance obligation is satisfied upon delivery or acceptance of the products and payment is mainly due within 30 to 150 days from delivery, where payment in advance is required for some customers.

As the contracts with customers are rendered in a short period of time, which is generally less than one year, the Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts.

Other income and gains

An analysis of other income and gains, net is as follows:

	2025 RMB'000	2024 RMB'000
Other income		
Government grants	**11,048**	12,569
Additional deduction of value added tax and other tax reliefs	**8,238**	8,367
Bank interest income	**10,357**	9,439
Other interest income from debt investment at fair value through other comprehensive income	**23,838**	25,306
Investment income from financial assets at fair value through profit or loss	**3,349**	17,427
Others	**398**	304
Total other income	**57,228**	73,412
Gains		
Foreign exchange gains, net	**–**	1,048
Fair value gains on financial assets at fair value through profit or loss	**21,208**	19,896
Total gains	**21,208**	20,944
Total other income and gains	**78,436**	94,356

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2025 RMB'000	2024 RMB'000
Cost of inventories sold*		**1,142,726**	1,049,031
Depreciation of property, plant and equipment	*13*	**97,153**	74,873
Depreciation of right of use assets	*15*	**5,502**	5,212
Amortisation of intangible assets	*14*	**2,979**	2,788
Research and development costs		**174,303**	155,136
Auditor's remuneration		**2,504**	866
Employee benefit expenses (excluding directors' and supervisors' remuneration (note 8)):			
– Salaries, bonuses, allowances and benefits in kind		**393,998**	351,755
– Pension scheme contributions***		**40,769**	35,032
– Share-based payment expenses		**11,105**	4,704
Total		**445,872**	391,491

The Group's profit before tax is arrived at after charging/(crediting):

	Note	2025 RMB'000	2024 RMB'000
Impairment losses on financial assets, net:			
Impairment of trade and notes receivables, net	*20*	**301**	7,319
Impairment/(reversal of impairment) of other receivables, net		**50**	(985)
Total		**351**	6,334
Write-down of inventories to net realisable value*		**4,569**	3,550
Loss on disposal of items of property, plant and equipment, net**		**2,195**	618
Loss on disposal of intangible assets**		**77**	43
Loss on disposal of items of right-of-use, net**		**–**	81

* The amounts disclosed for cost of inventories sold included the write-down of inventories to net realisable value.

** The amounts included in "other expenses" in profit or loss.

*** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2025 RMB'000	2024 RMB'000
Interest on:		
Bank borrowings	**120**	587
Discounted notes receivables	**2,073**	1,626
Lease liabilities	**343**	198
Total	**2,536**	2,411

8. DIRECTORS' AND SUPERVISORS'S REMUNERATION

The remuneration of each director and supervisor as recorded during the years ended 31 December 2024 and 2025, disclosed pursuant to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is set out below:

	2025 RMB'000	2024 RMB'000
Fees	**322**	276
Other emoluments:		
Salaries, allowances and benefits in kind	**3,937**	4,331
Performance related bonuses	**4,242**	4,817
Share-based payment expenses	**1,368**	560
Pension scheme contributions	**287**	293
Subtotal	**9,834**	10,001
Total	**10,156**	10,277

Certain directors were granted share options and restricted shares, in respect of the services to the Group, further details of which are set out in note 34 to the financial statements. The fair value of such awards, which has been recognized in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

8. DIRECTORS' AND SUPERVISORS'S REMUNERATION (Continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2025 RMB'000	2024 RMB'000
Mr. Shen Xianfeng *(note (i))*	37	92
Mr. Zhou Changjiang	107	92
Mr. Hu Qing	–	32
Ms. Guo Xinmei	107	60
Mr. Lin Sen *(note (v))*	71	–
Total	322	276

There were no other emoluments payable to the independent non-executive directors during the year (2024: Nil).

(b) Executive directors and supervisors

Year ended 31 December 2025

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Share-based payment expenses RMB'000	Total remuneration RMB'000
Executive directors:					
Mr. Li Haizhou	777	911	43	–	1,731
Ms. Xie Yanling	639	816	80	–	1,535
Mr. Ye Shubing (General Manager)	739	912	43	589	2,283
Mr. Li Ping	783	911	43	589	2,326
Mr. Lu Zhiqiang	491	440	29	190	1,150
Supervisors:					
Mr. Qi Cong *(note (ii))*	194	128	14	–	336
Mr. Liao Wenyuan *(note (iii))*	188	50	14	–	252
Mr. Zhang Xiaofeng *(note(iv)*	126	74	21	–	221
Total	3,937	4,242	287	1,368	9,834

8. DIRECTORS' AND SUPERVISORS'S REMUNERATION (Continued)

(b) Executive directors and supervisors (Continued)

Year ended 31 December 2024

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Share-based payment expenses RMB'000	Total remuneration RMB'000
Executive directors:					
Mr. Li Haizhou	769	968	41	–	1,778
Ms. Xie Yanling	667	984	73	–	1,724
Mr. Ye Shubing (General Manager)	748	990	41	280	2,059
Mr. Li Ping	774	968	41	280	2,063
Supervisors:					
Mr. Qi Cong *(note (ii))*	366	294	27	–	687
Mr. Liao Wenyuan *(note (iii))*	359	209	28	–	596
Mr. Zhang Xiaofeng *(note (iv)*	258	139	15	–	412
Mr. Zhen Xuejun	142	95	9	–	246
Mr. Wang Lixin	122	76	9	–	207
Mr. You Zhanlong	126	94	9	–	229
Total	4,331	4,817	293	560	10,001

Notes:

(i) Mr. Shen Xianfeng resigned as an independent non-executive director of the Company on 24 March 2025.

(ii) Mr. Qi Cong was appointed as a supervisor of the Company with effect from 8 May 2024 and resigned on 19 May 2025.

(iii) Mr. Liao Wenyuan was appointed as a supervisor of the Company with effect from 8 May 2024 and resigned on 19 May 2025.

(iv) Mr. Zhang Xiaofeng was appointed as a supervisor of the Company with effect from 8 May 2024 and resigned on 19 May 2025.

(v) Mr. Lin Sen was appointed as an independent non-executive director of the Company with effect from 8 May 2025.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year 2024 and 2025 included 4 and 4 directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration of the 1 and 1 highest paid employees who are neither a director nor supervisor of the Group during the years ended 31 December 2024 and 2025 is as follows:

	2025 RMB'000	2024 RMB'000
Salaries, allowances and benefits in kind	**610**	609
Performance related bonuses	**779**	764
Pension scheme contributions	**43**	41
Share-based payment expenses	**605**	250
Total	**2,037**	1,664

The number of non-director and non-supervisor highest paid employees whose remuneration fell within the following bands is as follows:

	Numbers of employees	
	2025	2024
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,000 to HK$2,500,000	**1**	–
Total	**1**	1

During the year and in prior years, share options and restricted shares were granted to a non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 34 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year 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.

Hong Kong

Pursuant to The Inland Revenue (Amendment) (No.3) Ordinance 2018 (the Ordinance) for the two-tiered profits tax rates regime, the subsidiary incorporated in Hong Kong was subject to Hong Kong profits tax at the rate of 8.25% for the first HKD2,000,000 and 16.5% for any estimated assessable profits exceeding HKD2,000,000 arising in Hong Kong during the years ended 31 December 2025 and 2024.

Chinese mainland

The provision for corporate income tax in Chinese mainland is based on the statutory rate of 25% of the taxable profits determined in accordance with the Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Chinese mainland which are granted tax concession and are taxed at preferential tax rates.

The Company was qualified as a High and New Technology Enterprise to enjoy a preferential income tax rate of 15% from 2025 to 2028.

Dongguan Zhaowei Electromechanical Co., Ltd was qualified as a High and New Technology Enterprise to enjoy a preferential income tax rate of 15% from 2023 to 2026.

These qualifications are subject to review by the relevant tax authority in Chinese mainland for every three years.

Pursuant to Caishui [2022] No. 13 "Announcement on Further implementing the income Tax Preferential Policies for Small Meagre-profit Enterprises" (關於進一步實施小微企業所得税優惠政策的公告), Suzhou Zhaowei Venture Capital Co., Ltd. was qualified for Small Meagre-profit Enterprises and entitled to a preferential income tax rate of 20% on the 25% of taxable income exceeding RMB1,000,000 but less than RMB3,000,000 from 1 January 2022 to 31 December 2025.

Pursuant to Caishui [2023] No. 6 "Announcement on the Income Tax Preferential Policies for Small Meagre-profit Enterprises and Self-employed Businesses" (關於小微企業和個體工商戶所得税優惠政策的公告)，Suzhou Zhaowei Venture Capital Co., Ltd, Suzhou Zhaowei Industrial Technology Co., Ltd. and Shenzhen Zhaowei Dexterous Hand Technology Co., Ltd. were qualified for Small Meagre-profit Enterprises and entitled to a preferential income tax rate of 20% on the 25% of taxable income not exceeding RMB1,000,000 from 1 January 2023 to 31 December 2025.

Pursuant to Caishui [2023] No. 12 "Announcement on the Income Tax Preferential Policies for Small Meagre-profit Enterprises and Self-employed Businesses"(關於小微企業和個體工商戶所得税優惠政策的公告), Suzhou Zhaowei Venture Capital Co., Ltd, Suzhou Zhaowei Industrial Technology Co., Ltd. and Shenzhen Zhaowei Dexterous Hand Technology Co., Ltd. were qualified for Small Meagre-profit Enterprises and entitled to a preferential income tax rate of 20% on the 25% of taxable income not exceeding RMB3,000,000 from 1 January 2023 to 31 December 2027.

10. INCOME TAX (Continued)

Chinese mainland (Continued)

In addition, during the years ended 31 December 2024 and 2025, certain small and low-profit subsidiaries of the Group in Chinese mainland can enjoy a 75% discount on taxable income between RMB1,000,000 and RMB 3,000,000, and total taxable income are taxed at a preferential tax rate of 20%.

The income tax expense of the Group for the years ended 31 December 2024 and 2025 is analysed as follows:

	2025 RMB'000	2024 RMB'000
Current tax expense	**21,309**	9,866
Deferred income tax	**85**	9,431
Total	**21,394**	19,297

A reconciliation of the tax expense applicable to profit before tax at the preferential tax rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the preferential tax rates) to the effective tax rates, are as follows:

	2025 RMB'000	2024 RMB'000
Profit before tax	**276,569**	244,716
Tax at the preferential tax rate of 15%	**41,485**	36,708
Effect of different tax rates enacted by local authorities	**(277)**	72
Adjustments in respect of current tax of previous periods	**542**	80
Profits and losses attributable to an associate	**200**	808
Expenses not deductible for tax	**345**	375
Additional deductible allowance for qualified research and development expenses	**(20,377)**	(19,474)
Tax losses utilised from previous periods	**(32)**	(84)
Recognition of tax losses and temporary differences not recognized in prior years	**(1,172)**	–
Deductible temporary difference and tax losses not recognised	**680**	812
Tax charge at the Group's effective tax rate	**21,394**	19,297

According to the Corporate Income Tax Law, the Company and certain of its subsidiaries are entitled to additional deduction of qualified research and development expenses from the taxable income. The additional deduction percentage was 100% from 1 January 2022 to 31 December 2027.

11. DIVIDENDS

	2025 RMB'000	2024 RMB'000
Dividends declared by the Company	68,549	94,055

Pursuant to the resolution of the Annual General Meeting of shareholders of the Company on 29 March 2024, an issuance of bonus shares for all the registered shareholders of the Company on a basis of 4 shares for every 10 ordinary shares has been approved.

The dividends of RMB0.29 (inclusive of tax) for each ordinary share to all shareholders whose names were registered in the register of members and were entitled to participate in the distribution on the record date during the year (2024: RMB0.55 per ordinary share) were approved by the Annual General Meeting of the Company. The Company has paid dividends of RMB68,230,000 during the year (2024: RMB93,482,000).

The Company proposed to distribute a cash dividend of RMB3.85 (inclusive of tax) for every 10 shares to all shareholders based on the total share capital of 267,482,700 shares on the day when the board of directors deliberated on this motion, totalling RMB102,980,000 (including tax) in cash dividends. No bonus shares will be issued.

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 attributable to ordinary equity holders of the parent (excluding cash dividends allocated to restricted shares which are expected to be vested), and the weighted average number of ordinary shares in issue (excluding treasury shares) during the reporting periods.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the outstanding share options and restricted shares contingently issuable. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares outstanding during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

The calculations of basic and diluted earnings per share are based on:

	2025 RMB'000	2024 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent as used in the basic earnings per share calculation	**255,175**	225,419
Less: Cash dividend allocated to restricted shares which are expected to be vested	**179**	279
Total	**254,996**	225,140

	Number of shares	
	2025	2024
Shares		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation *('000)*	**239,329**	238,941
Effect of dilution-weighted average number of ordinary shares: Share options and Restricted shares	**969**	337
Weighted average number of ordinary shares used in the diluted earnings per share calculation *('000)*	**240,298**	239,278

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machine equipment RMB'000	Transportation equipment RMB'000	Electronic equipment RMB'000	Other equipment RMB'000	Renovation and leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2025								
At 1 January 2025								
Cost	779,583	452,762	7,303	19,679	56,776	47,862	18,013	1,381,978
Accumulated depreciation and impairment	(89,779)	(180,609)	(5,285)	(16,058)	(33,512)	(32,962)	–	(358,205)
Net carrying amount	689,804	272,153	2,018	3,621	23,264	14,900	18,013	1,023,773
At 1 January 2025, net of accumulated depreciation and impairment	689,804	272,153	2,018	3,621	23,264	14,900	18,013	1,023,773
Additions	–	84,793	2,413	2,651	16,345	1,898	58,435	166,535
Transfers	52	19,630	–	–	–	28,191	(47,873)	–
Depreciation provided during the year	(35,012)	(43,879)	(869)	(2,170)	(8,094)	(7,129)	–	(97,153)
Disposals	–	(2,578)	–	(3)	(97)	(18)	–	(2,696)
Others*	(2,604)	–	–	–	–	–	–	(2,604)
At 31 December 2025, net of accumulated depreciation and impairment	652,240	330,119	3,562	4,099	31,418	37,842	28,575	1,087,855
At 31 December 2025								
Cost	777,031	548,299	9,704	22,226	71,763	77,933	28,575	1,535,531
Accumulated depreciation and impairment	(124,791)	(218,180)	(6,142)	(18,127)	(40,345)	(40,091)	–	(447,676)
Net carrying amount	652,240	330,119	3,562	4,099	31,418	37,842	28,575	1,087,855

* Adjust the provisional valuation-to-fixed asset conversion amount by RMB2,604,000 based on the completion settlement report.

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings RMB'000	Machine equipment RMB'000	Transportation equipment RMB'000	Electronic equipment RMB'000	Other equipment RMB'000	Renovation and leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2024								
At 1 January 2024								
Cost	495,502	361,893	6,398	18,340	48,949	42,251	253,645	1,226,978
Accumulated depreciation and impairment	(67,435)	(147,776)	(5,158)	(13,060)	(28,013)	(27,618)	–	(289,060)
Net carrying amount	428,067	214,117	1,240	5,280	20,936	14,633	253,645	937,918
At 1 January 2024, net of accumulated depreciation and impairment	428,067	214,117	1,240	5,280	20,936	14,633	253,645	937,918
Additions	–	78,861	1,393	1,490	9,553	1,431	71,676	164,404
Transfers	284,081	18,866	–	–	–	4,361	(307,308)	–
Depreciation provided during the year	(22,344)	(36,810)	(600)	(3,045)	(6,730)	(5,344)	–	(74,873)
Disposals	–	(2,881)	(15)	(104)	(495)	(181)	–	(3,676)
At 31 December 2024, net of accumulated depreciation and impairment	689,804	272,153	2,018	3,621	23,264	14,900	18,013	1,023,773
At 31 December 2024								
Cost	779,583	452,762	7,303	19,679	56,776	47,862	18,013	1,381,978
Accumulated depreciation and impairment	(89,779)	(180,609)	(5,285)	(16,058)	(33,512)	(32,962)	–	(358,205)
Net carrying amount	689,804	272,153	2,018	3,621	23,264	14,900	18,013	1,023,773

14. INTANGIBLE ASSETS

Software

	2025 RMB'000	2024 RMB'000
At 1 January		
Cost	**24,222**	21,594
Accumulated amortisation	**(11,651)**	(8,879)
Net carrying amount	**12,571**	12,715
At 1 January, net of accumulated amortisation	**12,571**	12,715
Additions	**2,583**	2,687
Amortisation provided during the year	**(2,979)**	(2,788)
Disposals	**(77)**	(43)
At 31 December net of accumulated amortisation	**12,098**	12,571
At 31 December		
Cost	**26,673**	24,222
Accumulated amortisation	**(14,575)**	(11,651)
Net carrying amount	**12,098**	12,571

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of properties, and leasehold land. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of properties generally have lease term between 2 and 5 years.

(a) Right-of-use assets

The carrying amounts of right-of-use assets and the movements during the reporting periods are as follows:

	Properties RMB'000	Leasehold land RMB'000	Total RMB'000
At 1 January 2024	4,038	36,688	40,726
Additions	12,439	–	12,439
Depreciation charge	(4,294)	(918)	(5,212)
Disposal	(644)	–	(644)
At 31 December 2024	11,539	35,770	47,309
At 1 January 2025	**11,539**	**35,770**	**47,309**
Additions	**164**	**–**	**164**
Depreciation charge	**(4,584)**	**(918)**	**(5,502)**
At 31 December 2025	**7,119**	**34,852**	**41,971**

15. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the reporting periods are as follows:

	2025 RMB'000	2024 RMB'000
Carrying amount at 1 January	**11,623**	4,125
New leases	**164**	12,439
Disposal	**–**	(563)
Accretion of interest recognised during the year	**343**	198
Lease payments	**(4,849)**	(4,576)
Carrying amount at 31 December	**7,281**	11,623
Analysed into:		
Current portion	**4,103**	4,434
Non-current portion	**3,178**	7,189
Total	**7,281**	11,623

The maturity analysis of lease liabilities is disclosed in note 42 to the financial statements.

15. LEASES (Continued)

The Group as a lessee (Continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2025 RMB'000	2024 RMB'000
Interest on lease liabilities	**343**	198
Depreciation charge of right-of-use assets	**5,502**	5,212
Loss on disposal of items of right-of-use, net	**–**	81
Total amount recognised in profit or loss	**5,845**	5,491

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in note 35(c) and note 42 to the financial statements, respectively.

16. EQUITY INVESTMENTS DESIGNED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2025 RMB'000	2024 RMB'000
Equity investments designated at fair value through other comprehensive income		
Unlisted equity investments, at fair value:		
Wuhan Digital Design and Manufacturing Innovation Center Co., Ltd	**15,547**	16,120
Shenzhen Guochuang Embodied Intelligent Robot Co., Ltd	**525**	900
Tujian Technology (Beijing) Co., Ltd	**20,000**	–
Total	**36,072**	17,020

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

17. INVESTMENT IN AN ASSOCIATE

	2025 RMB'000	2024 RMB'000
Investment in an associate	61,260	62,613

Particulars of the material associate are as follows:

Name	Particulars of issued shares held	Place of registration	Percentage of ownership interest attributable to the Group	Principal activity
Linked Intelligent Technology Co., Ltd. ("**Linked Intelligent**")	RMB26,211,780	Shanghai	14.22%*	Technology promotion and application services

The Group's shareholdings in the associate all comprise equity shares held by the Company. The Company has significant influence over Linked Intelligent as it has the power to participate in the financial and operating policy decisions of the entity by appointing a director in the board.

* On 30 June 2022, The Company subscribed 15% equity interest of Linked Intelligent with consideration of RMB67,222,000. On 30 September 2024, a new independent investor subscribed 5.17% equity interest of Linked Intelligent with consideration of RMB30,000,000. The payment was made in three installments: RMB10,000,000 was paid in July 2024, RMB10,000,000 in February 2025, and RMB10,000,000 in July 2025. As at 31 December 2025, the Company's shareholding was diluted to 14.22%.

The Group's trade receivable balances with the associate are disclosed in note 38 to the financial statements.

17. INVESTMENT IN AN ASSOCIATE (Continued)

The following table illustrates the summarised financial information in respect of Linked Intelligent adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2025 RMB'000	2024 RMB'000
Current assets	**166,842**	71,705
Non-current assets, excluding goodwill	**75,170**	60,373
Current liabilities	**139,466**	39,967
Non-current liabilities	**4,707**	3,965
Net assets	**97,839**	88,146
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**14.22%**	14.73%
Group's share of net assets of the associate, excluding goodwill	**13,917**	12,986
Goodwill on acquisition (less cumulative impairment)	**52,079**	53,938
Adjustments	**(47,36)**	(4,311)
Carrying amount of the investment	**61,260**	62,613

	2025 RMB'000	2024 RMB'000
Revenue	**150,698**	67,799
Loss for the year	**(13,807)**	(39,588)
Total comprehensive losses for the year	**(13,807)**	(39,588)

As at the end of the reporting periods, the Group performed an impairment assessment on the investment in Linked Intelligent and the recoverable amount of the investment in the associate has been determined based on fair value less cost of disposal by references to the latest transaction prices. Based on the impairment assessment, the recoverable amount of the investment in the associate has exceeded its carrying amount and accordingly no impairment is required.

18. OTHER NON-CURRENT ASSETS

	2025 RMB'000	2024 RMB'000
Prepayments for property, plant and equipment	**16,752**	17,530
Total	**16,752**	17,530

19. INVENTORIES

	2025 RMB'000	2024 RMB'000
Raw materials	**96,058**	82,863
Work in progress	**34,585**	25,005
Finished goods	**56,238**	50,787
Goods in transit	**22,150**	23,796
Outsourced processing materials	**1,245**	1,673
Total	**210,276**	184,124

20. TRADE AND NOTES RECEIVABLES

	2025 RMB'000	2024 RMB'000
Notes receivables	**76,198**	30,995
Trade receivables	**551,070**	579,686
Subtotal	**627,268**	610,681
Less: impairment of notes receivables	**(2,437)**	(874)
Less: impairment of trade receivables	**(31,050)**	(32,312)
Net carrying amount	**593,781**	577,495

The Group's trading terms with its customers are mainly on credit. For large and medium-sized customers with large scale and good reputation, the Group generally gives a credit period of 30 to 150 days. In terms of mould sales, in order to reduce the risk of product development, except for a small number of large and medium-sized customers with long-term cooperation and good reputation, the Group usually requires part of the payment in advance after signing the mould contract and collects the remaining amount after the product is finally confirmed by the customer or receiving a large number of orders.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Long ageing balances are reviewed regularly by senior management. In view of the fact that the Group's trade and notes receivables related to a large number of diversified counterparties, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and notes receivable balances.

Included in the Group's trade receivables are amounts due from the Group's related parties of RMB1,317,000 as at 31 December 2025 (2024: RMB73,000) (note 38), which are repayable on credit terms similar to those offered to the major customers of the Group.

20. TRADE AND NOTES RECEIVABLES (Continued)

An ageing analysis of the trade and notes receivables as at the end of each reporting period, based on revenue recognition date and net of loss allowance, is as follows:

	2025 RMB'000	2024 RMB'000
Within 1 year	**592,767**	577,369
Over 1 year	**1,014**	126
Total	**593,781**	577,495

The movements in the loss allowance for impairment of trade and notes receivables are as follows:

	2025 RMB'000	2024 RMB'000
At beginning of year	**33,186**	25,868
Impairment losses, net (note 6)	**301**	7,319
Amount written off as uncollectible	**–**	(1)
At end of year	**33,487**	33,186

An impairment analysis is performed at the end of each of reporting periods using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting periods about past events, current conditions and forecasts of future economic conditions. Trade receivables for which the counterparties failed to make the demanded repayments are defaulted receivables. The Group has provided full impairment for the defaulted receivables.

20. TRADE AND NOTES RECEIVABLES (Continued)

Set out below is the information about the credit risk exposure on the Group's trade and notes receivables using a provision matrix:

At 31 December 2025

		Trade and notes receivables ageing with		
	Default receivables	**Less than 1 year**	**Over 1 year**	**Total**
Expected credit loss rate	**100%**	**5%**	**27%**	**5%**
Gross carrying amount (RMB'000)	**3,353**	**622,522**	**1,393**	**627,268**
Expected credit losses (RMB'000)	**3,353**	**29,755**	**379**	**33,487**

At 31 December 2024

		Trade and notes receivables ageing with		
	Default receivables	Less than 1 year	Over 1 year	Total
Expected credit loss rate	100%	5%	55%	5%
Gross carrying amount (RMB'000)	3,353	607,046	282	610,681
Expected credit losses (RMB'000)	3,353	29,677	156	33,186

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2025 RMB'000	2024 RMB'000
Prepayments	**8,625**	10,861
Deferred listing expenses	**15,742**	–
Value-added tax recoverable	**34,516**	25,039
Prepaid income tax	**6,880**	–
Other receivables	**5,351**	5,742
Less: Impairment of other receivables	**(955)**	(905)
Total	**70,159**	40,737

The other receivables were interest-free and are not secured with collateral.

The financial assets included in the above balances relating to receivables were categorised in stage 1 at the end of each reporting period. In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2025 RMB'000	2024 RMB'000
Non-current asset		
Wealth management products	**1,500**	1,500
Current asset		
Wealth management products	**838,976**	902,726

These wealth management products were issued by certified financial institution in Chinese mainland. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

23. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2025 RMB'000	2024 RMB'000
Bank acceptance notes*	**69,270**	20,596
Negotiable Certificate of Deposit**	**1,054,036**	908,105
Total	**1,123,306**	928,701

* The bank acceptance notes were issued by reputable banks in Chinese mainland

** The Negotiable Certificate of Deposit, was denominated in RMB, with expected yield rates ranging from 1.75% to 3.30% per annum.

These bank acceptance notes and negotiable Certificate of Deposit were classified as financial assets at fair value through other comprehensive income as they are held within a business model with the objective of both collecting contractual cashflows and selling.

24. CASH AND CASH EQUIVALENTS, RESTRICTED BANK DEPOSITS AND TIME DEPOSITS

	2025 RMB'000	2024 RMB'000
Cash and bank balances	**181,781**	224,817
Time deposits	**–**	80,734
Restricted bank deposits*	**35,189**	62
Subtotal	**216,970**	305,613
Less:		
Time deposits with maturity over three months	**–**	80,734
Restricted bank deposits	**35,189**	62
Cash and cash equivalents	**181,781**	224,817
Denominated in		
RMB	**36,547**	93,321
USD	**123,457**	122,728
EUR	**21,309**	8,333
Others	**468**	435
Total	**181,781**	224,817

* As at 31 December 2025, the deposit of RMB35,127,000 (2024: nil) was restricted as security mainly for wealth management products.

25. INTEREST-BEARING BANK BORROWINGS

	2025			2024		
	Effective Interest rate	Maturity	RMB'000	Effective Interest rate	Maturity	RMB'000
Current						
Bank loans – unsecured			–	2.27%	within 2025	9,006
Discounted notes receivable – unsecured	0.54%-0.88%	within 2026	169,638	0.65%-1.15%	within 2025	82,171
Discounted letter of credit – unsecured			–	0.92%	within 2025	49,803
Total			169,638			140,980

Note: All loans are denominated in RMB and matured within one year.

26. TRADE AND NOTES PAYABLES

	2025 RMB'000	2024 RMB'000
Trade payables	238,395	251,757
Notes payables	160,700	182,578
Total	399,095	434,335

The trade payables are non-interest-bearing and are normally settled on 180-days terms.

An ageing analysis of the trade and notes payables at the end of each reporting period, based on the invoice date, is as follows:

	2025 RMB'000	2024 RMB'000
Within 1 year	398,557	433,607
1 to 2 years	349	37
2 to 3 years	18	73
Over 3 years	171	618
Total	399,095	434,335

27. OTHER PAYABLES AND ACCRUALS

	2025 RMB'000	2024 RMB'000
Payroll payable	**73,484**	69,004
Employee share scheme repurchase obligation	**13,226**	26,959
Payable for endorsed notes receivable that are not derecognised	**14,193**	1,556
Dividend payables*	**179**	–
Other payables	**48,727**	71,750
Other tax payables	**12,206**	9,274
Total	**162,015**	178,543

Note: For the endorsed notes receivable that the Group 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 notes receivables and associated liabilities. Further details are contained in note 39 to the financial statements.

* Dividend payable is recognised for restricted shares, and will be paid upon the vesting date in August 2026.

Other payables are non-interest-bearing and have no fixed terms of settlement.

28. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2025 RMB'000	2024 RMB'000
Financial liabilities at fair value through profit or loss:		
National debt reverse repurchase agreement	–	21,536

29. CONTRACT LIABILITIES

	2025 RMB'000	2024 RMB'000
Short-term Advances received from customers		
Sale of products	**10,335**	19,257

Contract liabilities include payments from the customers based on sales order in advance of delivery of products under the contracts.

30. DEFERRED INCOME

	2025 RMB'000	2024 RMB'000
Government grant*	**50,989**	53,093
At beginning of the year	**53,093**	39,263
Grants received during the year	**8,630**	22,129
Amounts released to profit or loss during the year	**(10,734)**	(8,299)
At end of the year	**50,989**	53,093

* The government grants mainly represent subsidies received from the government that relate to both expenses and assets. Government grants were released to profit or loss either over the periods that the expenses for which it is intended to compensate are expensed, or over the expected useful life of the relevant asset, when all attaching conditions and requirements are compliant with.

31. DEFERRED TAX

Deferred tax assets

	Impairment of trade and other receivables RMB'000	Impairment of inventories RMB'000	Impairment of property, plant and equipment RMB'000	Tax losses RMB'000	Leases liabilities RMB'000	Equity-settled share-based payment RMB'000	Unrealised profit from intercompany transactions RMB'000	Government grants RMB'000	Total RMB'000
At 1 January 2024	4,162	2,695	655	840	557	–	472	5,889	15,270
Credit/(charged) to profit or loss	940	533	(548)	(840)	1,790	789	(274)	2,075	4,465
Deferred tax credited to other reserve during the year	–	–	–	–	–	2,286	–	–	2,286
Gross deferred tax assets at 31 December 2024	5,102	3,228	107	–	2,347	3,075	198	7,964	22,021
At 31 December 2024 and 1 January 2025	**5,102**	**3,228**	**107**	**–**	**2,347**	**3,075**	**198**	**7,964**	**22,021**
Credit/(charged) to profit or loss	**53**	**(611)**	**(14)**	**8,754**	**(761)**	**292**	**(42)**	**(316)**	**7,355**
Deferred tax credited to other reserve during the year	**–**	**–**	**–**	**–**	**–**	**9,389**	**–**	**–**	**9,389**
Gross deferred tax assets at 31 December 2025	**5,155**	**2,617**	**93**	**8,754**	**1,586**	**12,756**	**156**	**7,648**	**38,765**

31. DEFERRED TAX (Continued)

Deferred tax liabilities

	Financial assets measured at fair value	Accrued interest income	Depreciation allowance in excess of related depreciation	Right-of-use assets	Equity investments designated at fair value through other comprehensive income	Total
At 31 December 2023 and 1 January 2024	2,543	5,779	31,702	552	–	40,576
Deferred tax charged to profit or loss during the year	654	638	10,865	1,739	–	13,896
Gross deferred tax liabilities at 31 December 2024	3,197	6,417	42,567	2,291	–	54,472
At 31 December 2024 and 1 January 2025	**3,197**	**6,417**	**42,567**	**2,291**	**–**	**54,472**
Deferred tax (credited)/charged to profit or loss during the year	**(1,199)**	**2,085**	**6,945**	**(796)**	**1,526**	**8,561**
Gross deferred tax liabilities at 31 December 2025	**1,998**	**8,502**	**49,512**	**1,495**	**1,526**	**63,033**

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statements of financial position.

Deferred tax assets have not been recognised in respect of the following items:

	2025 RMB'000	2024 RMB'000
Tax losses	**8,849**	14,271
Deductible temporary differences	**74**	74

The above accumulated tax losses will expire in one to ten years for offsetting against future taxable profits of the companies located in Chinese mainland in which the tax losses arose.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits in foreseeable future will be available against which the tax losses can be utilised.

32. SHARE CAPITAL AND TREASURY SHARES

	2025 Number of shares	2024 Number of shares
Registered, issued and fully paid: ordinary shares	**240,734,400**	240,203,500

A summary of movements in the Company's share capital and treasury shares is as follows:

	Number of shares in issue	Share capital RMB'000	Number of Treasury shares	Treasury shares RMB'000
At 1 January 2024	171,008,218	171,008	336,218	7,783
Issue of shares under the 2024 Restricted Share Scheme (note(a))	1,262,700	1,263	1,262,700	26,959
Issuance of bonus shares (note(b))	68,403,287	68,403	134,487	–
Repurchase of restricted shares forfeited during the year (note(c))	(470,705)	(470)	(470,705)	(7,504)
Dividends declared	–	–	–	(279)
At 31 December 2024 and 1 January 2025	240,203,500	240,204	1,262,700	26,959
Exercise of share options (note(d))	**537,900**	**537**	**–**	**–**
Vesting of restricted shares (note(d))	**–**	**–**	**(627,850)**	**(13,405)**
Repurchase of restricted shares forfeited during the year (note(e))	**(7,000)**	**(7)**	**(7,000)**	**(149)**
Dividends declared	**–**	**–**	**–**	**(179)**
At 31 December 2025	**240,734,400**	**240,734**	**627,850**	**13,226**

Notes:

(a) On 28 August 2024, the Company issued 1,262,700 restricted shares under the 2024 Restricted Share Scheme and received the whole repurchase fee of RMB26,959,000 from all the participants. An amount of RMB25,696,000 was credited to the Company's capital reserve.

(b) Pursuant to the resolution of the general meeting of shareholders of the Company on 29 March 2024, an issuance of bonus shares using capital reserve in an aggregate amount of RMB68,403,000 for all the registered shareholders of the Company on a basis of 4 shares for every 10 ordinary shares has been approved.

(c) On 8 May 2024, the Company repurchased 470,705 forfeited restricted shares under the 2021 Restricted Share Scheme from related participants as the vesting conditions were not satisfied.

32. SHARE CAPITAL AND TREASURY SHARES (Continued)

Notes: (Continued)

(d) From August to November 2025, 537,900 share options were exercised and 627,850 restricted shares were vested under the 2024 Share Incentive Scheme as the vesting conditions were satisfied.

(e) In July 2025, the Company repurchased 7,000 forfeited restricted shares under the 2024 Share Incentive Scheme from related participants as the vesting conditions were not satisfied.

33. RESERVES

The amounts of the reserves and the movements therein are presented in the consolidated statements of changes in equity.

Capital reserve

The capital reserve represents the difference between the par value of the shares issued and the consideration received.

Share option reserve

Share option reserve represents the share-based compensation reserve due to equity-settled share award, details of which were set out in note 34 to the financial statements.

Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations with functional currency other than RMB. The reserve is dealt with in accordance with the accounting policies set out in note 2.4 to the financial statements.

Fair value reserve

The fair value reserve represents fair value changes of equity investments designated at fair value through other comprehensive income.

Statutory surplus reserve

In accordance with the Company Law of the PRC, companies registered in the PRC are required to allocate 10% of the statutory after-tax profits to the statutory surplus reserve until the cumulative total of the reserve reaches 50% of its registered capital. The statutory surplus reserve may be used to offset accumulated losses or be converted to increase the registered capital of such companies subject to approval from the relevant PRC authorities. The statutory surplus reserve is not available for dividend distribution to shareholders of such companies.

34. SHARE-BASED PAYMENTS

The Company operates share-based payment scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

2024 Share Incentive Scheme

On 28 August 2024, the Company granted 1,262,700 restricted shares of the Company to 120 eligible employees and 1,262,700 share options of the Company to 123 eligible employees with the exercise price for each share of RMB 21.35 and RMB 42.70, respectively. The vesting periods for shares granted are 12 months and 24 months from the grant date, with 50% and 50% of shares being vested respectively, if the service and performance conditions can be met.

The exercise price of the share options is subject to adjustment in the case of rights or bonus share issues, dividends declare or other similar changes in the Company's share capital.

On 14 August 2025, the Company adjusted the exercise price of the share options to RMB42.42 as a result of the dividends declared by the Company in 2025.

The following table summarises the Company's 2024 Share Incentive Scheme activities during the reporting periods:

	Number of Share options	Number of Restricted shares
At 1 January 2024	–	–
Granted during the year	1,262,700	1,262,700
At 31 December 2024	1,262,700	1,262,700
Exercised during the year	**(537,900)**	**–**
Vested during the year	**–**	**(627,850)**
Forfeited during the year	**(7,000)**	**(7,000)**
At 31 December 2025	**717,800**	**627,850**

34. SHARE-BASED PAYMENTS (Continued)

2024 Share Incentive Scheme (Continued)

The fair value of the share options at the grant date, was determined using a Black-Scholes model. Key assumptions used in determining the fair value were as follows:

	Grant date 8 August 2024
Share price at the grant date	36.94
Exercise price	42.70
Risk-free interest rate (%)	1.50-2.10
Volatility (%)	18.47-20.82
Expected life of options (years)	1-2

During the year, the Group recognised share-based payment expense of RMB12,473,000 (2024: RMB5,264,000).

35. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

(1) During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB164,000 (2024: RMB12,439,000), in respect of lease arrangements for factory, office premises.

(2) During the year, the Group had non-cash decrease to notes receivables and interest-bearing bank borrowings of RMB32,937,000 (2024: RMB60,128,000), in respect of the discounted notes receivable that are not derecognised.

35. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(b) Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest bearing bank borrowings RMB'000	Dividend Payable RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2024	40,981	294	4,125	45,400
Addition	–	94,055	12,439	106,494
Changes from financing cash flow	157,914	(93,482)	(4,576)	59,856
Changes from non-cash transactions	(60,128)	(867)	–	(60,995)
Accretion of interest	2,213	–	198	2,411
Disposal	–	–	(563)	(563)
At 31 December 2024	140,980	–	11,623	152,603

	Interest bearing bank borrowings RMB'000	Dividend Payable RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2025	**140,980**	**–**	**11,623**	**152,603**
Addition	**–**	**68,549**	**164**	**68,713**
Changes from financing cash flow	**59,402**	**(68,230)**	**(4,849)**	**(13,677)**
Changes from non-cash transactions	**(32,937)**	**(140)**	**–**	**(33,077)**
Accretion of interest	**2,193**	**–**	**343**	**2,536**
At 31 December 2025	**169,638**	**179**	**7,281**	**177,098**

35. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	2025 RMB'000	2024 RMB'000
Within financing activities	**4,849**	4,576

36. PLEDGE OF ASSETS

As of 31 December 2025, the Group had bank deposits of RMB35,128,000 pledged as security mainly for wealth management products.

37. COMMITMENTS

The Group had the following capital commitments at the end of each reporting period.

	2025 RMB'000	2024 RMB'000
Contracted, but not provided for items of property, plant and equipment	**67,013**	116,950

38. RELATED PARTY TRANSACTIONS

The Directors are of the view that the following companies are related parties that have material transactions or balances with the Group during the year 2025 and 2024.

(a) Name and relationships of the related parties

Name	Relationship
Linked Intelligent	An associate
Jiangsu Lingke Huizhi Technology Co., Ltd	A subsidiary of Linked Intelligent

38. RELATED PARTY TRANSACTIONS (Continued)

(b) The Group had the following transactions with related parties during the year 2025 and 2024:

	2025 RMB'000	2024 RMB'000
Purchases of products from:		
Linked Intelligent	**347**	232
Purchases of services from:		
Linked Intelligent	**2,365**	–
Sales of products to:		
Linked Intelligent	**100**	149
Jiangsu Lingke Huizhi Technology Co., Ltd	**2,410**	138
	2,510	287

The above purchase and sales of products were made according to the published prices and terms agreed between the parties.

38. RELATED PARTY TRANSACTIONS (Continued)

(c) Outstanding balances with related parties:

	2025 RMB'000	2024 RMB'000
Trade receivables:		
Jiangsu Lingke Huizhi Technology Co., Ltd*	**1,317**	73
Other payables:		
Linked Intelligent*	**1,115**	–
Trade payables:		
Linked Intelligent*	**61**	–
Contract liabilities:		
Linked Intelligent*	**–**	86

* The balances with related parties are trade in nature.

(d) Compensation of key management personnel of the Group

	2025 RMB'000	2024 RMB'000
Salaries, allowances and benefits in kind	**5,484**	6,014
Performance related bonuses	**5,457**	5,828
Pension scheme contributions	**376**	376
Equity-settled share-based payments expenses	**2,473**	621
Total	**13,790**	12,839

Further details of directors' and the chief executive's remuneration are included in note 8 to the financial statements.

39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period were as follows:

	2025 RMB'000	2024 RMB'000
Financial assets		
Financial assets at fair value through profit or loss	**840,476**	904,226
Financial assets at fair value through other comprehensive income:		
Debt investments at fair value through other comprehensive income	**1,123,306**	928,701
Equity investments designated at fair value through other comprehensive income	**36,072**	17,020
Financial assets at amortised cost:		
Trade and notes receivables	**593,781**	577,495
Financial assets included in prepayments, other receivables and other assets	**4,396**	4,837
Time deposits with original maturity of over three months	**–**	80,734
Restricted bank deposits	**35,189**	62
Cash and cash equivalents	**181,781**	224,817
Total	**2,815,001**	2,737,892
Financial liabilities		
Financial liabilities at fair value through profit or loss	**–**	21,536
Financial liabilities at amortised cost:		
Trade and notes payables	**399,095**	434,335
Financial liabilities included in other payables and accruals	**61,287**	97,299
Interest-bearing bank borrowings	**169,638**	140,980
Lease liabilities	**7,281**	11,623
Total	**637,301**	705,773

40. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are not derecognised in their entirety

(a) At 31 December 2025, the Group discounted certain notes receivable accepted by banks in Chinese mainland and letter of credit (the "**Discounted Notes and L/C**") with a carrying amount in aggregate of and RMB169,638,000 (2024: RMB131,974,000). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Discounted Notes, and accordingly, it continued to recognise the full carrying amounts of the Discounted Notes and the associated borrowings. Subsequent to the discounting, the Group did not retain any rights on the use of the Discounted Notes, including the sale, transfer or pledge of the Discounted Notes to any other third parties. The aggregate carrying amount of Discounted Notes during the reporting period was RMB430,179,000 (2024: RMB183,914,000).

(b) At 31 December 2025, the Group endorsed certain notes receivable accepted by banks in Chinese mainland (the "**Endorsed Notes**") with a carrying amount of RMB14,193,000 (2024: RMB1,556,000) to certain of its suppliers 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 Notes, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Notes and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Notes, including the sale, transfer or pledge of the Endorsed Notes to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Notes during the reporting period to which the suppliers have recourse was RMB81,159,000 (2024: RMB49,330,000).

(c) At 31 December 2025, the Group discounted and endorsed certain notes receivable accepted by banks in Chinese mainland (the "**Derecognised Notes**") to a bank with a carrying amount in aggregate of RMB115,561,000 (2024: RMB230,716,000). The Derecognised Notes had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Notes may exercise the right of recourse against any, several or all of the persons liable for the Derecognised Notes, including the Group, in disregard of the order of precedence. In the opinion of the directors, the risk of the Group being claimed by the holders of the Derecognised Notes 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 Notes. Accordingly, it has derecognised the full carrying amounts of the Derecognised Notes and the associated borrowings.

During the reporting period, the Group has recognised loss of RMB1,564,000 (2024: RMB730,000) on the date of transfer of the Derecognised Notes. The endorsement has been made evenly throughout the year.

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, financial assets included in prepayments, other receivables and other assets, trade and notes receivables, trade payables, interest-bearing bank borrowings, 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 is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each reporting period, the finance department analysed the movements in the values of financial instruments and determined the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the directors of the Company once a year for annual financial reporting.

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. The following methods and assumptions were used to estimate the fair values:

The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable and immaterial, and that they were the most appropriate values at the end of the reporting period.

The Group invests in unlisted investments, which represent wealth management products issued by several certified financial institutions in Chinese mainland. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at the end of each reporting period:

As at 31 December 2025

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average P/S multiple of peers	4.5 to 14.9	5% increase/decrease in multiple would result in increase/ decrease in fair value by RMB811,000
		Average P/B multiple of peers	0.8 to 2.8	5% increase/decrease in multiple would result in increase/ decrease in fair value by RMB22,000
	Cost Approach	Recent Transaction Valuation	N/A	N/A

As at 31 December 2024

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average P/S multiple of peers	4.30 to 11.60	5% increase/decrease in multiple would result in increase/decrease in fair value by RMB749,000
	Cost Approach	Recent Transaction Valuation	N/A	N/A

41. 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:

At 31 December 2025

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	–	840,476	–	840,476
Debt investments at fair value through other comprehensive income	–	1,123,306	–	1,123,306
Equity investments designated at fair value through other comprehensive income	–	–	36,072	36,072
Total	–	1,963,782	36,072	1,999,854

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Assets measured at fair value: (Continued)

At 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	–	904,226	–	904,226
Debt investments at fair value through other comprehensive income	–	928,701	–	928,701
Equity investments designated at fair value through other comprehensive income	–	–	17,020	17,020
Total	–	1,832,927	17,020	1,849,947

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 31 December 2025.

At 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial liabilities at fair value through profit or loss	–	21,536	–	21,536

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value: (Continued)

The movements in fair value measurements within Level 3 during the reporting periods are as follows:

	Unlisted equity investments RMB'000
Financial assets at fair value through other comprehensive income	
At 1 January 2024	17,659
Changes in fair value of financial assets at fair value through other comprehensive income	(639)
At 31 December 2024 and 1 January 2025	17,020
Additions	20,000
Changes in fair value of financial assets at fair value through other comprehensive income	(948)
At 31 December 2025	**36,072**

During the reporting periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, financial assets at fair value through profit or loss and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the interest-bearing bank borrowings with floating interest rates. The Group's policy is to manage its interest cost using variable rate debts. The directors of the Group believe that the cash flow risk exposure arising from floating-rate bank borrowings is not significant. The Group continuously monitors interest rate levels and, in the event that market expectations for interest rate hikes are clear or interest rates are expected to rise, the Group will leverage its credit rating and differentiated financing advantages to replace floating-rate debt facing interest rate hike risks with other financing instruments.

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations.

The following table demonstrates the sensitivity at the end of each reporting period to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's profit after tax.

	Increase/ (decrease) in foreign exchange rate %	Decrease/ (increase) in profit after tax RMB'000
Year ended 31 December 2025		
If RMB weakens against the USD	5	7,139
If RMB strengthens against the USD	(5)	(7,139)
Year ended 31 December 2024		
If RMB weakens against the USD	5	5,807
If RMB strengthens against the USD	(5)	(5,807)

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

The Group trades only with recognised and creditworthy 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. The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, pledged deposits, financial assets included in prepayments, other receivables and other assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

For financial assets included in prepayments, other receivables and other assets, management makes periodic collective assessment as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

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 the end of each reporting period.

The amounts presented are gross carrying amounts for financial assets.

At 31 December 2025

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	551,070	551,070
Notes receivables	76,198	–	–	–	76,198
Financial assets included in prepayments, other receivables and other assets					
– Normal**	5,351	–	–	–	5,351
Restricted bank deposits	35,189	–	–	–	35,189
Cash and cash equivalents	181,781	–	–	–	181,781
Total	298,519	–	–	551,070	849,589

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Maximum exposure and year-end staging (Continued)

At 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	579,686	579,686
Notes receivables	30,995	–	–	–	30,995
Financial assets included in prepayments, other receivables and other assets					
– Normal**	5,742	–	–	–	5,742
Restricted bank deposits	62	–	–	–	62
Time deposits	80,734	–	–	–	80,734
Cash and cash equivalents	224,817	–	–	–	224,817
Total	342,350	–	–	579,686	922,036

* For trade receivables at the end of each reporting period, the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the financial statements.

** 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.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and notes receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings and lease liabilities.

The maturity profile of the Group's financial liabilities as at the end of each reporting period, based on the contractual undiscounted payments, is as follows:

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

At 31 December 2025

	Less than 12 months or on demand RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and notes payables	**399,095**	**–**	**–**	**399,095**
Interest-bearing bank borrowings	**169,638**	**–**	**–**	**169,638**
Financial liabilities included in other payables and accruals	**61,287**	**–**	**–**	**61,287**
Lease liabilities	**4,300**	**3,231**	**–**	**7,531**
Total	**634,320**	**3,231**	**–**	**637,551**

At 31 December 2024

	Less than 12 months or on demand RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and notes payables	434,335	–	–	434,335
Interest-bearing bank borrowings	141,286	–	–	141,286
Financial liabilities included in other payables and accruals	97,299	–	–	97,299
Lease liabilities	4,766	7,444	–	12,210
Financial liabilities at fair value through profit or loss	21,536	–	–	21,536
Total	699,222	7,444	–	706,666

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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 issue new shares, make borrowings or sell assets to reduce debt. No changes were made in the objectives, policies or processes for managing capital during the reporting periods.

The Group monitors capital using a gearing ratio, which is total interest-bearing liabilities divided by total equity. The Group's policy is to maintain the gearing ratio at a reasonable level.

The gearing ratio as at the end of each of the reporting periods was as follows:

	2025	2024
	RMB'000	RMB'000
Interest-bearing bank borrowings	**169,638**	140,980
Lease liabilities	**7,281**	11,623
Total interest-bearing liabilities	**176,919**	152,603
Total equity	**3,482,994**	3,226,211
Gearing ratio	**5.1%**	4.7%

43. EVENTS AFTER THE REPORTING PERIOD

With the approval of the Hong Kong Stock Exchange, the Company was listed on the Main Board of the Hong Kong Stock Exchange on 9 March 2026. The total number of H shares offered globally by the Company is 26,748,300 shares.

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2025 RMB'000	2024 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**229,612**	259,839
Intangible assets	**10,257**	11,567
Right-of-use assets	**9,965**	15,271
Investment in an associate	**61,259**	62,613
Investments in subsidiaries	**514,205**	535,541
Equity investments designated at fair value through other comprehensive income	**16,072**	17,020
Other non-current assets	**4,103**	4,423
Total non-current assets	**845,473**	906,274
CURRENT ASSETS		
Inventories	**104,200**	112,225
Trade and notes receivables	**605,160**	502,253
Prepayments, other receivables and other assets	**450,451**	491,651
Financial assets at fair value through profit or loss	**703,270**	704,699
Debt investments at fair value through other comprehensive income	**1,121,765**	928,450
Restricted bank deposits	**35,182**	55
Time deposits	**–**	80,734
Cash and cash equivalents	**144,506**	185,498
Total current assets	**3,164,534**	3,005,565

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

	2025 RMB'000	2024 RMB'000
CURRENT LIABILITIES		
Trade and notes payables	**438,353**	614,504
Contract liabilities	**6,852**	13,126
Other payables and accruals	**132,158**	105,284
Interest-bearing bank borrowings	**–**	11,238
Lease liabilities	**4,826**	5,083
Tax payables	**–**	3,683
Total current liabilities	**582,189**	752,918
NET CURRENT ASSETS	**2,582,345**	2,252,647
TOTAL ASSETS LESS CURRENT LIABILITIES	**3,427,818**	3,158,921
NON-CURRENT LIABILITIES		
Lease liabilities	**5,744**	10,560
Deferred tax liabilities	**5,927**	13,724
Deferred income	**47,720**	52,619
Total non-current liabilities	**59,391**	76,903
Net assets	**3,368,427**	3,082,018
EQUITY		
Share capital	**240,734**	240,204
Treasury shares	**(13,226)**	(26,959)
Reserves	**3,140,919**	2,868,773
Total equity	**3,368,427**	3,082,018

Li Haizhou
Director

Xie Yanling
Director

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share capital RMB'000	Capital reserve RMB'000	Share option reserve RMB'000	Treasury shares RMB'000	Fair value reserve RMB'000	Statutory surplus reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
At 1 January 2024	171,008	1,894,608	–	(7,783)	11,758	85,504	858,299	3,013,394
Profit for the year	–	–	–	–	–	–	155,488	155,488
Other comprehensive income for the year:								
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	(639)	–	–	(639)
Total comprehensive income for the year	–	–	–	–	(639)	–	155,488	154,849
Issuance of restricted shares	1,263	25,696	–	(26,959)	–	–	–	–
Repurchase of restricted shares forfeited during the year	(470)	(7,607)	–	7,504	–	–	–	(573)
Share-based payment expenses	–	–	7,550	–	–	–	–	7,550
Transfer to retained earnings	–	–	–	–	–	15,516	(15,516)	–
Dividends declared	–	–	–	279	–	–	(93,481)	(93,202)
Issue of bonus shares	68,403	(68,403)	–	–	–	–	–	–
At 31 December 2024	240,204	1,844,294	7,550	(26,959)	11,119	101,020	904,790	3,082,018
At 1 January 2025	**240,204**	**1,844,294**	**7,550**	**(26,959)**	**11,119**	**101,020**	**904,790**	**3,082,018**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**284,848**	**284,848**
Other comprehensive income for the year:								
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	**–**	**–**	**–**	**–**	**(2,474)**	**–**	**–**	**(2,474)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(2,474)**	**–**	**284,848**	**282,374**
Exercise of share options	**537**	**29,311**	**(705)**	**–**	**–**	**–**	**–**	**29,143**
Issuance of restricted shares	**–**	**17,838**	**(9,788)**	**13,405**	**–**	**–**	**–**	**21,455**
Repurchase of restricted shares forfeited during the year	**(7)**	**–**	**(142)**	**149**	**–**	**–**	**–**	**–**
Share-based payment expenses	**–**	**–**	**21,807**	**–**	**–**	**–**	**–**	**21,807**
Transfer to retained earnings	**–**	**–**	**–**	**–**	**–**	**19,347**	**(19,347)**	**–**
Dividends declared	**–**	**–**	**–**	**179**	**–**	**–**	**(68,549)**	**(68,370)**
At 31 December 2025	**240,734**	**1,891,443**	**18,722**	**(13,226)**	**8,645**	**120,367**	**1,101,742**	**3,368,427**

* The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire after the exercisable period.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2026.

FIVE YEARS FINANCIAL SUMMARY

	For the year ended 31 December			
	2022	2023	2024	**2025**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	1,152,459	1,205,945	1,524,599	**1,715,534**
Gross Profit	335,110	349,091	475,568	**572,808**
Profit before taxation	158,750	192,175	244,716	**276,569**
Income tax	8,254	12,252	19,297	**21,394**
Profit for the year	150,496	179,923	225,419	**255,175**
Profit attribute to owners of the parent	150,496	179,923	225,419	**255,175**
	RMB	RMB	RMB	**RMB**
Earnings per share	0.63	0.75	0.94	**1.07**

	As of 31 December			
	2022	2023	2024	**2025**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	3,558,473	3,804,044	4,121,910	**4,317,791**
Total liabilities	611,382	716,362	895,699	**834,797**
Total equity	2,947,091	3,087,682	3,226,211	**3,482,994**
Cash and cash equivalents	145,014	91,734	224,817	**181,781**
Net current assets	1,844,584	1,966,283	2,136,628	**2,303,921**