Application Proof of

Weichai Lovol Intelligent Agricultural Technology Co., Ltd.
(濰柴雷沃智慧農業科技股份有限公司)

(the "**Company**")

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

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LOVOL

WEICHAI LOVOL INTELLIGENT AGRICULTURAL TECHNOLOGY CO., LTD.

潍柴雷沃智慧農業科技股份有限公司

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

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] H Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to [REDACTED])**
Maximum [REDACTED]	**:**	**HK$[REDACTED] per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**RMB[1.00] per H Share**
[REDACTED]	**:**	**[REDACTED]**

***Sole Sponsor,* [REDACTED]**

CICC 中金公司

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IMPORTANT

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This summary aims to give you an overview of the information contained in this Document. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be in conjunction with, the full text of this document. You should read the entire document before you decide to invest in the [**REDACTED**].

There are risks associated with any investment. Some of the particular risks in investing in the [**REDACTED**] *are set out in "Risk Factors." You should read that section carefully before you decide to invest in the* [**REDACTED**].

OVERVIEW

Our Mission & Vision

To empower better lives through smart agriculture.

Our Positioning

A leading provider of integrated smart agriculture solutions.

Our Customer and User Strategy

We strive to create lasting value for core customer and user groups, such as large-scale agricultural producers, agricultural enterprises and agricultural service organizations, while also addressing the key needs of full-time operators and individual farmers aiming to foster a diversified synergistic growth across a diversified customer and user base.

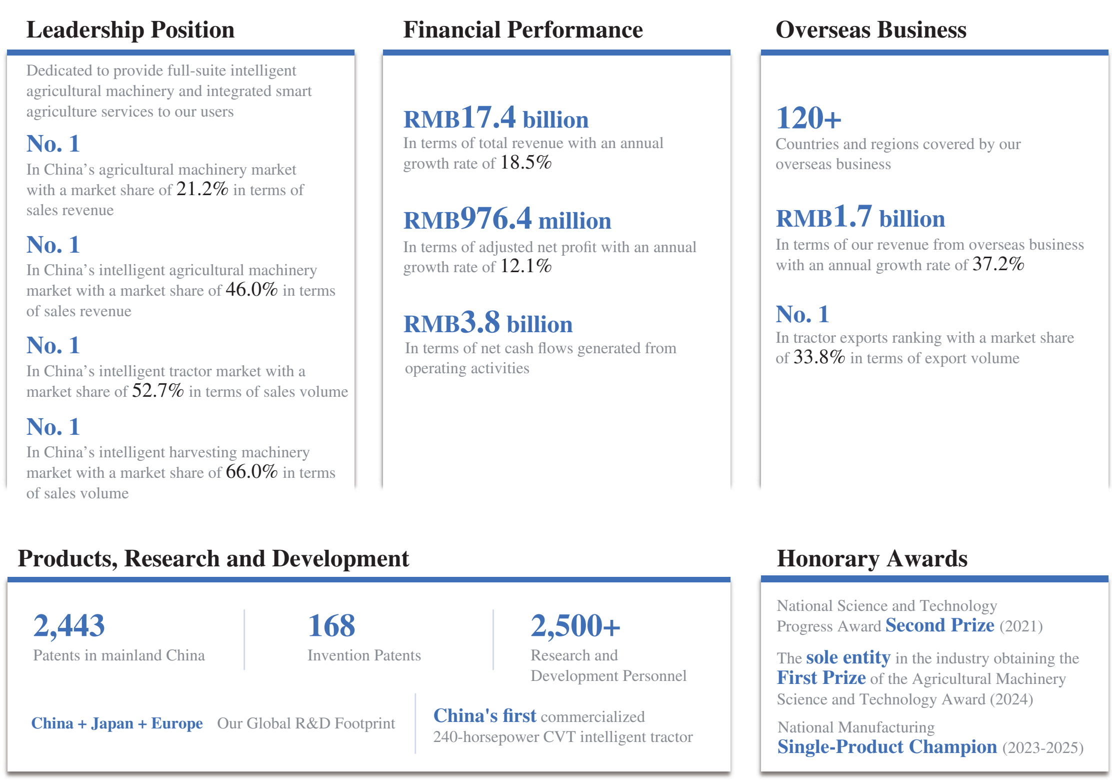
Our Business Philosophy

We uphold a user-centric philosophy, underpinned by a development strategy of technological innovation. We are committed to building a robust smart agriculture ecosystem that will effectively tackle the pressing challenges of who to farm and how to farm scientifically, thereby promoting high-quality development.

Our Performance

We are a leading provider of integrated smart agriculture solutions in China. Our journey began in 2004 in Weifang, Shandong. Over the past two decades, we have cultivated integrated smart agriculture solutions that combine advanced full-suite intelligent agricultural machinery with smart agriculture systems to support the full agricultural production cycle. Our business is anchored in two core pillars: (i) full-suite intelligent agricultural machinery products, including tractors, harvesting machines and agricultural implements that span the entire modern agricultural production cycle, covering field preparing, planting, field management, harvesting, straw handling and grain drying, with a focus on high-end, intelligent agricultural machinery, addressing the challenges of "who to farm"; and (ii) smart agriculture services, with real-time operation data captured by agricultural machinery at their core, integrated IoT, AI and big data technologies to deliver a comprehensive understanding of soil, crop and environmental conditions. By applying AI-driven analytics, the system generates precise, data-backed recommendations and directs intelligent agricultural machinery to carry out coordinated, precision tasks, boosting productivity and improving quality, eventually addressing the challenges of "how to farm scientifically."

The following chart highlights our business achievements[(1)]:



Note:

(1) Unless otherwise specified, all data in this chart are for the year ended December 31, 2024 or as of December 31, 2024. Data relating to patents, invention patents and the number of countries and regions covered by overseas business are as of the Latest Practicable Date.

OUR STRENGTHS

- We are a Leader in Smart Agriculture and Intelligent Agricultural Machinery Market in China, Driving Sustainable Growth through Strategic Insights;
- We are the First and Only Provider in China Offering Full-Suite Intelligent Agricultural Machinery across the Full Agricultural Production Cycle;
- We Pioneer Smart Agriculture Solutions and Achieve End-to-end Data Integration to Propel Sustained Improvements in Agricultural Productivity;
- We Build a Competitive Moat with Industry-leading R&D Capabilities that Fuels Continuous Innovation;
- We Actively Expand Global Reach with Significant Growth Potential, Backed by a Parent Group with Deep International Roots; and
- Experienced, Visionary and Professional Management Team Steers Our Sustainable Growth.

See "Business — Our Strengths."

OUR STRATEGIES

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

- Deepen Focus on Core R&D to Build a Strategic Technological Edge in Smart Agriculture Innovation;
- Accelerate Smart Agriculture Ecosystem Development and Drive Commercialization at Scale;
- Empowering Intelligent Manufacturing System through Strengthened Global Integration and Self-controlled Resources across the Industrial Chain;
- Advance Global Strategic Expansion to Unlock International Growth Opportunities; and
- Upgrade Digital Operations to Optimize Our Intelligent Management and Decision-making Hub.

See "Business — Our Strategies."

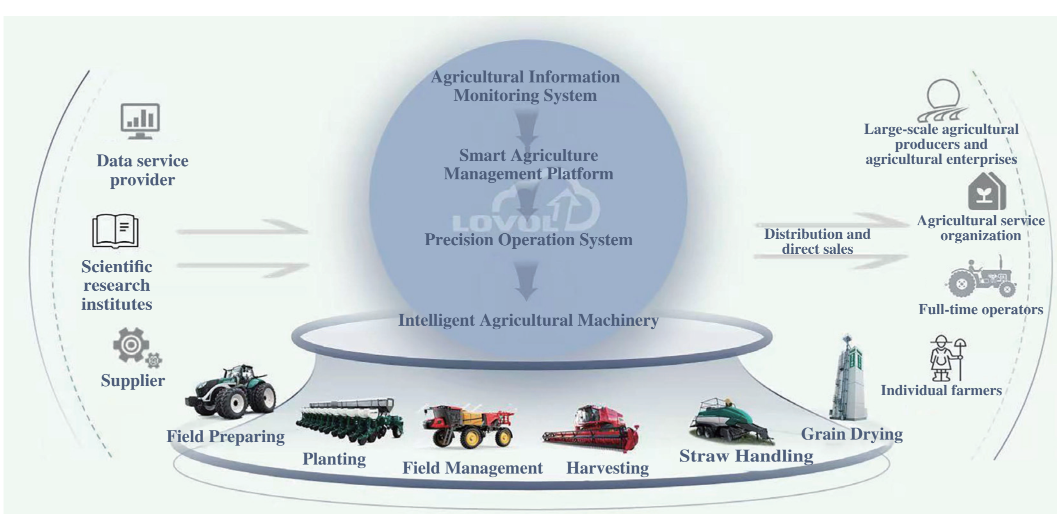
OUR BUSINESS MODEL

We bring together advanced intelligent agricultural machinery technologies and smart agriculture technologies to deliver a full suite of intelligent agricultural machinery and smart agriculture solutions covering the entire agriculture production cycle. Our offerings are designed to help customer increase yields, reduces losses, lower operating costs and improve overall efficiency. This enables our transformation from traditional manufacturing to high-value, service-oriented manufacturing, and supports our pursuit of high-quality development.

Our full-suite intelligent agricultural machinery spans the entire modern agricultural production cycle, covering field preparing, planting, field management, harvesting, straw handling and grain drying. Designed for a wide range of crops, farming practices, operating conditions and farm sizes, our intelligent agricultural machinery addresses diverse user needs across different agricultural landscapes. Complementing our machinery, our integrated smart agriculture solutions convert agronomic experience and field data into automated, precision-based operation instructions. These instructions enable coordinated operations across various items of intelligent agricultural machinery, delivering efficient and scientifically grounded farming solutions that continuously create value for our customers.

By seamlessly connecting hardware, software, data and platforms, our comprehensive suite of intelligent agricultural machinery and integrated smart agriculture solutions enable systemized machinery deployment, streamlined data linkage, platform-based software architecture and end-to-end solution delivery. With strong support from our stakeholders, this framework has evolved into a self-evolving ecosystem, one that not only strengthens user reliance on our solutions but also fosters long-term customer loyalty and builds a robust competitive moat. This ecosystem allows us to maintain market leadership and strong growth momentum, while playing a pivotal role in advancing China's agricultural modernization.

The following diagram illustrates our business model:

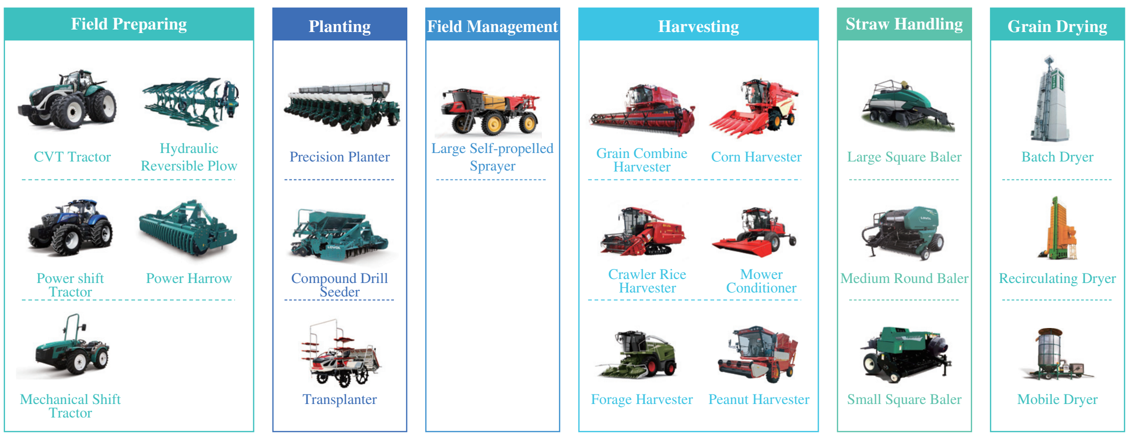


See "Business — Our Business Model."

OUR PRODUCTS AND SMART AGRICULTURE SOLUTIONS

Agricultural Machinery

We have a comprehensive product portfolio encompassing high-quality intelligent agricultural machinery, primarily comprising (i) tractors; (ii) harvesting machines; and (iii) agricultural implements. Aiming to revolutionize modern agriculture, our full-suite intelligent agricultural machinery spans the entire modern agricultural production cycle, covering field preparing, planting, field management, harvesting, straw handling and grain drying. The following chart sets forth the matrix of our agricultural machinery products:



The following table sets forth a breakdown of our revenue by product category in absolute amount and as a percentage of our total revenue for the years indicated:

	Year ended December 31,					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)					
Sales of agricultural machinery	15,738,128	98.7	14,502,922	98.8	17,183,315	98.8
– Tractors	7,943,740	49.8	7,775,397	52.9	9,057,350	52.1
– Harvesting machines	7,254,780	45.5	6,144,335	41.9	7,092,236	40.8
– Agricultural implements and others	539,608	3.4	583,190	4.0	1,033,729	5.9
Others(1)	211,916	1.3	173,426	1.2	209,723	1.2
Total	**15,950,044**	**100.0**	**14,676,348**	**100.0**	**17,393,038**	**100.0**

Note:

(1) Mainly including revenue generated from the sales of parts and components to Weichai Power Group for engine manufacturing.

Our products mainly include:

- ***Tractors.*** We offer a full range of tractors from 25 to 340 horsepower, spanning all advanced technology pathways, including power shift and CVT. Our tractors feature robust power performance, seamless technology integration, advanced intelligent interconnectivity, innovative new-energy technology, extensive operational adaptability and enhanced user comfort.

- ***Harvesting Machines.*** We provide the most comprehensive lineup of harvesting machines in China, primarily including wheel type harvesting machines, crawler type harvesting machines, corn harvesters and specialized harvesting machines.

- ***Agricultural Implements.*** We have been developing an extensive product line for agricultural implements that supports field preparing, planting, field management, straw handling and grain drying, forming a solid foundation for synergies among various items of agricultural machinery. Our key products include high-speed precision planter, compound strip seeders, high-density large square balers, self-propelled sprayers and 400T batch dryers.

See "Business — Our Products and Smart Agriculture Solutions — Agricultural Machinery."

Smart Agriculture Services

Leveraging our full-suite intelligent agricultural machinery, we offer smart agriculture services through full-cycle smart agriculture systems built around the entire chain of "perception — analytics and decision-making — execution." Set forth below are the three key smart agriculture systems:

- ***Perception Layer: Agricultural Information Monitoring System.*** This system integrates multi-source sensors and satellite remote sensing technologies to build a unified "space-air-ground" agricultural monitoring framework.

- ***Analytics and Decision-making Layer: Smart Agriculture Management Platform.*** We have developed a smart agriculture management platform that supports a wide array of functions such as planting planning, machinery task scheduling, resource allocation, intelligent alerts, data visualization, service resource coordination and full-lifecycle machinery management.

- ***Execution Layer: Precision Operation System.*** Through seamless integration with our comprehensive suite of intelligent agricultural machinery, this system enables automated and precision operations across all critical stages of agricultural production, including field preparing, planting, field management and harvesting.

RESEARCH AND DEVELOPMENT

We believe that research and innovation is critical to our long-term competitiveness and success. Supported by our global R&D network, we accelerate the development of a robust technology innovation ecosystem by integrating insights and expertise from leading talent in intelligent agricultural machinery and smart agriculture worldwide. This strategy, driven by global cross-functional collaboration, enables us to comprehensively evaluate and refine our product and technology portfolio, stay aligned with market trends and actively shape industry standards. In addition, we pursue strategic partnerships with universities, research institutions and technology partners across the value chain. This distinctive model allows us to combine technological innovation with deep industry insight.

Our R&D efforts have resulted in continual technological breakthroughs and product innovations, which make us outstanding in the industry. As of the Latest Practicable Date, we held 2,443 patents, including 1,905 utility model patents, 168 invention patents and 370 industrial design patents in mainland China, and 49 patents in countries and regions other than mainland China. We also led and participated in the formulation of 26 national standards, 18 industry standards and 56 association standards.

See "Business — Research and Development."

PRODUCTION

Our comprehensive and advanced production capabilities are the foundation of our business. Leveraging our superior manufacturing technologies and large-scale production capacity, we ensure the consistent high quality of our products and stay agile in response to changes in market demands.

As of December 31, 2024, we had six production bases for agricultural machinery and related components with nine production lines. The table below sets forth the details of our agricultural machinery production lines for the periods indicated.

Production Plants	Production Bases	Type of Production Plants as of December 31, 2024	Approximate Total Site Area	Numbers of Production Lines as of December 31, 2024
			(sq.m.)	
Tractor Factory[1]	Weifang, Shandong	Tractors	72,844.9	2
Wheel Type Harvesting Machine Factory	Weifang, Shandong	Wheat harvesting machines, corn harvesting machines	81,697.9	2
Crawler Type Harvesting Machine Factory	Weifang, Shandong	Rice harvesting machines, rice transplanters	44,878.2	2

Production Plants	Production Bases	Type of Production Plants as of December 31, 2024	Approximate Total Site Area	Numbers of Production Lines as of December 31, 2024
			(sq.m.)	
Agricultural Implements Factory	Weifang, Shandong	Balers, seeding machines, agricultural dryers, hydraulic reversible plows and mower conditioners	61,319.8	1
Components and Parts Factory (Linyi site)	Linyi, Shandong	Drive axles for tractors, harvester gearboxes and transmission systems	55,643.2	1
Components and Parts Factory (Weifang site)	Weifang, Shandong	Engine oil pans, shredders for harvesting machines and header	26,786.6	1

Note:

(1) The construction of our Intelligent Tractor Manufacturing Hub was completed and commenced commissioning in May 2025, featuring a production line for our high-horsepower tractors, with a designed capacity of 50,000 units per year, operating 300 days per year, achieving technological upgrades in the manufacturing processes for high-horsepower tractors.

See "Business — Our Production."

SALES, MARKETING AND CUSTOMER SERVICE

Given the extensive range of our product offering, we establish both national and international sales and distribution networks, allowing us to provide products and solutions in over 120 countries and regions worldwide as of the Latest Practicable Date. The table below sets forth our net revenue by geographic regions during the Track Record Period:

	Year ended December 31,					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)					
China	15,001,050	94.1	13,419,145	91.4	15,668,005	90.1
Overseas[1]	948,994	5.9	1,257,203	8.6	1,725,033	9.9
Total	**15,950,044**	**100.0**	**14,676,348**	**100.0**	**17,393,038**	**100.0**

Note:

(1) Other regions include Asia (excluding mainland China), Europe, North America and South America, Africa and Oceania.

We mainly work through selected distribution channels to efficiently serve our users. In addition, we have also adopted a direct sale model with certain strategic customers. We access the overseas market through international distribution partners. Our products are sold through these channels to ensure market penetration and coverage, which is particularly suitable for serving dispersed end-users through localized distribution channels, while maintaining direct connections with agricultural enterprises through our sales team.

During the Track Record Period, we sold our products through direct sales and distribution partners. In each year of the Track Record Period, our revenue from these distribution channels accounted for more than 98.0% of our total revenue.

See "Business — Sales, Marketing and Customer Service — Our Sales and Distribution Network."

PROCUREMENT, INVENTORY MANAGEMENT AND LOGISTICS

We rely on a diverse range of raw materials, parts and components to manufacture our products. Our procurement primarily covers raw materials, including sheets and pipes, components or assemblies directly used in production such as engines, drive axles and transmissions, rough castings and unfinished parts, as well as indirect materials to facilitate our production, such as cloths, filter bags and packaging materials. Most of our raw materials, components and indirect materials are sourced from China, with a small portion of components and indirect materials originating overseas, including from Japan, Italy and the US. We maintain reasonable procurement cycles. Throughout the Track Record Period, we did not have any major shortages, delays or difficulties in procuring essential raw materials or components from suppliers.

See "Business — Procurement, Inventory Management and Logistics."

OUR CUSTOMERS

We primarily sell our products to distribution partners and direct sales customers. Our direct sales customers mainly comprise agricultural enterprises. In 2022, 2023 and 2024, revenue from sales to our top five customers in aggregate accounted for 5.5%, 6.0% and 5.2% of our total revenue, respectively, and revenue from sales to our largest customer accounted for 1.1%, 1.4% and 1.3% of our total revenue for the same periods. To the best of our knowledge, our five largest customers in each year during the Track Record Period were all Independent Third Parties. To the best of our knowledge, none of our Directors, their close associates or any Shareholders of our Company, who or which to the knowledge of the Directors owned more than 5% of our Company's issued share capital, had any interest in any of our five largest customers in each year during the Track Record Period.

See "Business — Our Customers."

OUR SUPPLIERS

Our suppliers primarily comprise suppliers of raw materials, parts and components and vehicle engines. Purchases from our five largest suppliers amounted to RMB3,039.7 million, RMB3,953.3 million and RMB3,990.0 million in 2022, 2023 and 2024, respectively, representing 22.6%, 27.0% and 28.7% of our total purchases for the same periods. Purchases from our largest supplier accounted for 10.0%, 16.6% and 19.3% of our total purchases in 2022, 2023 and 2024, respectively. To the best of our knowledge, except for Shandong Heavy Industry, each of our five largest suppliers in each year during the Track Record Period was an Independent Third Party. To the best of our knowledge, except for Shandong Heavy Industry, none of our Directors, their close associates or any Shareholders of our Company, who or which to the knowledge of the Directors owned more than 5% of our Company's issued share capital, had any interest in any of our five largest suppliers in each year during the Track Record Period.

See "Business — Our Suppliers."

COMPETITION

The market in which we operate is experiencing sustained growth and remains in the early stages of development. It is expected to move progressively toward higher-end, intelligent, and new energy-powered solutions. We compete with both domestic and international players in the smart agriculture and intelligent agricultural machinery industries. Key competitive factors include product functionality and performance, product quality and reliability, pricing, brand strength, customer experience and after-sales services.

We believe that our strong brand recognition, advanced technological expertise, broad sales and distribution network and disciplined production and quality control systems provide us with a competitive edge as the industry continues to evolve.

See "Business — Competition" and "Industry Overview".

SUMMARY OF MATERIAL RISK FACTORS

Our business and the [**REDACTED**] involve certain risks as set out in "Risk Factors." You should carefully read that section in its entirety before you decide to invest in our [**REDACTED**]. We believe the most significant risks we face include but are not limited to the following:

- We compete with both domestic and foreign companies in agricultural machinery and smart agriculture industry. If we fail to adapt to compete successfully with existing or new competitors, our business, financial condition and results of operations would be adversely affected;

- We may not be able to launch new products, upgrade existing products or continuously provide a full product portfolio range in a cost-effective manner to keep the latest market need and technological advancements in the industry, which could materially and adversely affect our business, financial condition and results of operations;

- Our continuous efforts in research and development may not generate the results we expect to achieve and may negatively affect our business, financial operation condition and results of operations;

- Any failure to successfully execute production capacity expansion plans or effectively utilize our production bases may materially and adversely affect our business, financial condition and results of operations; and

- Operational disruption and machinery breakdown in our production facilities may interrupt our production schedule, which could adversely impact on the fulfillment of contracts.

See "Risk Factors."

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables present our summary of historical financial information for the years or as of the dates indicated. This summary has been derived from our historical financial information set forth in the Accountant's Report in Appendix I to this document. The summary historical financial data set forth below should be read together with, and is qualified in its entirety by reference to, the historical financial information included in the Accountant's Report in Appendix I to this document, including the accompanying notes, and the information set forth in "Financial Information." Our historical financial information was prepared in accordance with IFRS Accounting Standards.

Selected Results of Operation Data

The following table sets forth a summary of our results of operations for the years indicated:

	Year ended December 31,		
	2022	2023	2024
	(RMB in thousands)		
Continuing operations			
Revenue	15,950,044	14,676,348	17,393,038
Cost of sales	(14,037,870)	(12,737,176)	(15,090,784)
Gross profit	1,912,174	1,939,172	2,302,254
Other income and gains	267,501	310,270	349,261
Selling and marketing expenses	(301,245)	(327,706)	(417,792)
Administrative expenses	(399,128)	(330,737)	(353,621)
Research and development costs	(570,566)	(676,878)	(838,557)
Reversal of impairment of financial assets	9,532	31,827	17,441
Other expenses	(19,796)	(2,196)	(21,045)
Finance costs	(3,104)	(1,908)	(1,806)
Share of losses/(profits) of associates	(20,472)	(8,769)	179
Profit before tax from continuing operations	874,896	933,075	1,036,314
Income tax expense	(63,480)	(61,803)	(79,452)
Profit for the year from continuing operations	811,416	871,272	956,862
Discontinued operations			
Loss for the year from discontinued operations	(39,355)	–	–
Profit for the year	772,061	871,272	956,862
Profit for the year attributable to:			
Owners of the parent	767,932	871,165	956,409
Non-controlling interests	4,129	107	453
	772,061	871,272	956,862

Non-IFRS Measures

To supplement our consolidated financial statements which are presented in accordance with IFRS Accounting Standards, we also use EBITDA/adjusted EBITDA (*non-IFRS measure*) and adjusted net profit (*non-IFRS measure*) as additional financial measures, which are not required by or presented in accordance with IFRS Accounting Standards. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company. We believe that these non-IFRS measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of EBITDA/adjusted EBITDA (*non-IFRS measure*) and adjusted net profit (*non-IFRS measure*) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRS Accounting Standards.

We define EBITDA (*non-IFRS measure*) as net profit for the year adjusted by adding (i) income tax expense; (ii) finance costs; and (iii) depreciation and amortization, and subtracting interest income. We add back [**REDACTED**] expenses to EBITDA (*non-IFRS measure*) to derive adjusted EBITDA (*non-IFRS measure*). The following table reconciles EBITDA (*non-IFRS measure*) and adjusted EBITDA (*non-IFRS measure*) to our net profit for the year presented in accordance with IFRS Accounting Standards for the years indicated:

	Year ended December 31,		
	2022	**2023**	**2024**
	(RMB in thousands)		
Reconciliation of profit for the year to EBITDA *(non-IFRS measure)* and adjusted EBITDA *(non-IFRS measure)*			
Profit for the year	772,061	871,272	956,862
Add:			
– Income tax expense	63,480	61,803	79,452
– Finance costs	3,104	1,908	1,806
– Depreciation and amortization	161,758	185,341	212,970
Less: Interest income	(161,745)	(133,968)	(129,450)
EBITDA *(non-IFRS measure)*	838,658	986,356	1,121,640
Add:			
– [**REDACTED**] expenses(1)	–	–	19,520
Adjusted EBITDA *(non-IFRS measure)*	838,658	986,356	1,141,160

We define adjusted net profit (*non-IFRS measure*) as net profit for the year adjusted by adding back [**REDACTED**] expenses. The following table reconciles our adjusted net profit (*non-IFRS measure*) to our net profit for the year presented in accordance with IFRS Accounting Standards for the years indicated:

	Year ended December 31,		
	2022	2023	2024
	(RMB in thousands)		
Reconciliation of net profit to adjusted net profit *(non-IFRS measure)*			
Profit for the year	772,061	871,272	956,862
Add:			
– [**REDACTED**] expenses[1]	–	–	19,520
Adjusted net profit for the year *(non-IFRS measure)*	772,061	871,272	976,382

Note:

(1) Related to our Previous ChiNext Application. See "History, Development and Corporate Structure — Previous ChiNext Application and Application for [**REDACTED**] on the Hong Kong Stock Exchange."

Our revenue decreased by 8.0% from RMB15,950.0 million in 2022 to RMB14,676.3 million in 2023, primarily due to a decrease in revenue from the sales of agricultural machinery from RMB15,738.1 million in 2022 to RMB14,502.9 million in 2023, which was attributable to a decrease in revenue from the sales of harvesting machines. Our revenue increased by 18.5% from RMB14,676.3 million in 2023 to RMB17,393.0 million in 2024, primarily due to an increase in revenue from the sales of agricultural machinery from RMB14,502.9 million in 2023 to RMB17,183.3 million in 2024, which was attributable to (i) an increase in revenue from the sales of tractors; (ii) an increase in revenue from the sales of harvesting machines; and (iii) an increase in revenue from the sales of agricultural implements and others.

Our gross profit remained relatively stable at RMB1,912.2 million and RMB1,939.2 million in 2022 and 2023, respectively. Our gross profit increased by 18.7% from RMB1,939.2 million in 2023 to RMB2,302.3 million in 2024, which was generally in line with our increase in revenue. See "Financial Information — Description of Major Components of Our Results of Operations."

Selected Consolidated statements of Financial Position Data

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	(RMB in thousands)		
Total non-current assets	2,749,076	3,093,405	3,984,585
Total current assets	9,766,673	11,977,438	15,197,780
Total assets	**12,515,749**	**15,070,843**	**19,182,365**
Total non-current liabilities	261,757	402,783	385,980
Total current liabilities	10,176,559	11,719,592	15,004,999
Total liabilities	**10,438,316**	**12,122,375**	**15,390,979**
Net current assets/(liabilities)	(409,886)	257,846	192,781
Net asset	2,077,433	2,948,468	3,791,386

We recorded net current liabilities of RMB409.9 million as of December 31, 2022 and net current assets of RMB257.8 million as of December 31, 2023. This was primarily due to (i) an increase in inventories and other contract costs; and (ii) an increase in financial assets at FVTPL, partially offset by (i) an increase in trade and bills payables; and (ii) an increase in contract liabilities.

Our net current assets decreased by 25.2% from RMB257.8 million as of December 31, 2023 to RMB192.8 million as of December 31, 2024, primarily due to (i) an increase in trade and bills payables; and (ii) a decrease in inventories and other contract costs, partially offset by (i) an increase in cash and cash balances; (ii) a decrease in contract liabilities; (iii) an increase in restricted deposits; (iv) an increase in prepayments, other receivables and other assets; (v) an increase in financial assets at FVTPL; and (vi) an increase in trade and bills receivables.

See "Financial Information — Liquidity and Capital Resources — Net Current Assets or Liabilities."

Selected Consolidated Cash Flow Statements Data

The following table sets out our selected data from our consolidated statements of cash flows for the periods indicated:

The following table sets forth our cash flow for the years indicated:

	Year ended December 31,		
	2022	2023	2024
	(RMB in thousands)		
Net cash flows generated from operating activities	3,097,741	852,429	3,813,110
Net cash flows from/(used in) investing activities	589,832	(1,284,612)	(4,373,928)
Net cash flows used in financing activities	(1,300,025)	(11,504)	(121,878)
Net increase/(decrease) in cash and cash equivalents	2,387,548	(443,687)	(682,696)
Cash and cash equivalents at end of year	5,889,399	5,451,296	4,780,087

See "Financial Information — Liquidity and Capital Resources — Consolidated Cash Flow Statements."

Key Financial Ratios

The following table sets forth our key financial ratios for the years indicated:

	Year ended December 31,		
	2022	2023	2024
Gross profit margin (%)[1]	12.0	13.2	13.2
Net profit margin (%)[2]	4.8	5.9	5.5
Adjusted net profit margin (*non-IFRS measure*) (%)[3]	4.8	5.9	5.6
Quick ratio[4]	0.7	0.7	0.8
Current ratio[5]	1.0	1.0	1.0

Notes:

(1) Gross profit margin equals gross profit divided by revenue and multiplied by 100%.

(2) Net profit margin equals net profit for the year divided by revenue for the year and multiplied by 100%.

(3) Adjusted net profit margin (*non-IFRS measure*) equals adjusted net profit (*non-IFRS measure*) for the year divided by revenue for the year and multiplied by 100%.

(4) Quick ratio equals total current assets less inventories and other contract costs divided by total current liabilities.

(5) Current ratio equals current assets divided by current liabilities as of the same date.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, our Company was directly held as to approximately 61.10% by Weichai Power and 27.26% by Weichai Holdings. Weichai Power was held as to approximately 16.32% by Weichai Holdings, which was in turn wholly owned by Shandong Heavy Industry. As Weichai Power is a consolidated subsidiary of Weichai Holdings and Weichai Holdings is able to exert substantial influence at the shareholders' meetings of Weichai Power, each of Weichai Holdings and Shandong Heavy Industry is also entitled to, through Weichai Power, indirectly control the exercise of more than 30% of the voting power at general meetings of our Company. As such, Weichai Power, Weichai Holdings and Shandong Heavy Industry, were collectively entitled to control approximately 88.36% of the voting rights of our Company.

Immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), Weichai Power, Weichai Holdings and Shandong Heavy Industry will collectively be entitled to control approximately [**REDACTED**]% of the voting rights of the enlarged share capital of our Company. According, Weichai Power, Weichai Holdings and Shandong Heavy Industry will constitute our Controlling Shareholders upon the [**REDACTED**].

We have entered into and expect to continue to conduct certain transaction after the [**REDACTED**] with our Controlling Shareholders and their respective associates, which will constitute non-exempt continuing connected transactions under Chapter 14A of Listing Rules. See "Connected Transactions."

DIVIDENDS

On June 6, 2025, our Company's Eighth Board of Directors approved the proposal to distribute a cash dividend of RMB0.2 per share (tax inclusive), based on the shareholder register as of the actual dividend payment date, with the total dividend amount reaching RMB229.2 million. We declared interim dividends of RMB540.0 million and final dividends of RMB421.2 million in 2022. We have declared final dividends of RMB114.6 million in 2024. We did not declare dividend in 2023. As of the Latest Practicable Date, we have paid the dividends declared in 2022 and 2024 in full. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. Any future determination of dividends distribution, as well as the amount will be made at the discretion of our Board of Directors which will be subject to the corporate shareholder approval processes and may be based on a number of factors, including but not limited to our future operations and earnings, capital requirements and surplus, cash flows and general financial condition, contractual restrictions, taxation and other factors from time to time that the Board of Directors may deem relevant, and will also be subject to our Articles of Association and constitutional documents, as well as applicable laws and regulations. Any future declarations and payments of dividends may or may not reflect the historical declarations and payments of dividends.

[REDACTED] STATISTICS

All statistics in the following table are based on the assumptions that (i) the [**REDACTED**] has been completed and [**REDACTED**] H Shares are issued and sold in the [**REDACTED**] and (ii) the [**REDACTED**] is not exercised.

	Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]	Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]
Market capitalization of our Shares(1)	HK$[REDACTED]	HK$[REDACTED]
Market capitalization of our H Shares(2)	HK$[REDACTED]	HK$[REDACTED]
Unaudited [REDACTED] adjusted net tangible assets per share(3)	HK$[REDACTED]	HK$[REDACTED]

Notes:

(1) The calculation of market capitalization is based on [**REDACTED**] Shares expected to be in issue immediately upon completion of the [**REDACTED**], assuming the [**REDACTED**] is not exercised.

(2) The calculation of market capitalization of our H Shares is based on [**REDACTED**] H Shares expected to be in issue immediately upon completion of the [**REDACTED**] and conversion of Domestic [**REDACTED**] Shares into H Shares, without taking into account any allotment and issuance of H Shares upon exercise of the [**REDACTED**].

(3) The unaudited [**REDACTED**] adjusted net tangible assets per share is arrived at after the [**REDACTED**] referred to in "Appendix II — Unaudited [**REDACTED**] Financial Information."

USE OF [REDACTED]

Assuming that the [**REDACTED**] is not exercised, after deducting the [**REDACTED**] commissions and other estimated [**REDACTED**] expenses payable by us in connection with the [**REDACTED**], and assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**] of HK$[**REDACTED**] and HK$[**REDACTED**]), we estimate that we will receive net [**REDACTED**] of approximately HK$[**REDACTED**] from the [**REDACTED**]. We intend to use the [**REDACTED**] from the [**REDACTED**] for the purposes and in the amounts set forth below:

- Approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used for the construction of a new Intelligent Manufacturing Base for High-end Agricultural Machinery, the intelligent upgrade and transformation of the current production lines and a high-end agricultural equipment international logistics center;

- Approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used for research and development investment to promote the development of intelligent agricultural machinery and the commercialization of smart agriculture solutions;

- Approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used for overseas business and market expansion; and

- Approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used for working capital and general corporate purpose.

See "Future Plans and Use of [**REDACTED**]."

[REDACTED] EXPENSES

[**REDACTED**] expenses consist of professional fees, [**REDACTED**] commissions and other fees incurred in connection with the [**REDACTED**]. We expect to incur [**REDACTED**] expenses of approximately RMB[**REDACTED**] (HK[**REDACTED**]), comprising: (i) [**REDACTED**] fees of RMB[**REDACTED**] (HK$[**REDACTED**]); and (ii) non [**REDACTED**] expenses of RMB[**REDACTED**] (HK$[**REDACTED**]), which are further categorized into: (a) fees and expenses of legal advisors and accountants of RMB[**REDACTED**] (HK$[**REDACTED**]); and (b) other fees and expenses of RMB[**REDACTED**] (HK$[**REDACTED**]), assuming the [**REDACTED**] is not exercised and based on the [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the [**REDACTED**]), approximately RMB[**REDACTED**] (HK$[**REDACTED**]) of which is expected to be charged to our combined statements of profit or loss, and approximately RMB[**REDACTED**] (HK$[**REDACTED**]) of which is expected to be deducted from equity upon completion of the [**REDACTED**]. The [**REDACTED**] expenses are expected to represent approximately [**REDACTED**]% of the gross [**REDACTED**] of the [**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the indicative [**REDACTED**]) and that the [**REDACTED**] is not exercised. The [**REDACTED**] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. We do not expect such expenses to have a material adverse impact on our results of operations in 2025.

RECENT DEVELOPMENT

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this document, there had been no material adverse change in our financial or trading position or prospects since December 31, 2024, being the end date of the periods reported in Appendix I to this document, and there is no event since December 31, 2024 that would materially affect the information as set out in the Accountant's Report in Appendix I to this document.

In this document, unless the context otherwise requires, the following expressions shall have the following meanings.

"Accountant's Report"	the accountant's report of our Company as set out in "Appendix I — Accountants' Report" of this document
"affiliate"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	the Accounting and Financial Reporting Council of Hong Kong
"Articles" or "Articles of Association"	the articles of association of our Company, adopted on June 19, 2025 with effect from the [**REDACTED**], a summary of which is set out in Appendix IV to this document
"Audit and Risk Committee"	the audit and risk committee of our Company, the details of which are described in "Corporate Information" in this document
"Board" or "Board of Directors"	the board of directors of our Company
"business day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business

[**REDACTED**]

"China" or the "PRC"	the People's Republic of China, which for the purpose of this document and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan

"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company" or "the Company" or "we" or "us"	Weichai Lovol Intelligent Agricultural Technology Co., Ltd. (濰柴雷沃智慧農業科技股份有限公司), a joint stock company established under the laws of PRC on September 17, 2004
"Compliance Advisor"	Rainbow Capital (HK) Limited
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to Weichai Power, Weichai Holdings and Shandong Heavy Industry
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	the director(s) of our Company
"Domestic [**REDACTED**] Shares"	ordinary shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are not [**REDACTED**] on any stock exchange
"Experts"	the experts set out in "Appendix VI — Statutory and General Information — D. Other Information — 4. Qualifications of Experts" of this document
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong

[**REDACTED**]

"Frost & Sullivan" or "Industry Consultant"	Frost & Sullivan (Beijing) Inc., our industry consultant, which is an Independent Third Party

[**REDACTED**]

"Group", "our Group", "the Group", "we", "us" or "our"	the Company and its subsidiaries from time to time
"Guide"	guide for New Listing Applicants issued by the Stock Exchange, as amended, supplemented or otherwise modified from time to time

[**REDACTED**]

"HK$" or "HKD" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong

[**REDACTED**]

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China

[**REDACTED**]

"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited

[**REDACTED**]

"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are not connected person(s) (within the meaning of the Listing Rules) of the Company

[**REDACTED**]

[**REDACTED**]

"Latest Practicable Date"	June 15, 2025, being the latest practicable date for ascertaining certain information in this document before its publication

[**REDACTED**]

"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)

"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Nomination Committee"	the nomination committee of our Company, the details of which are described in "Corporate Information" in this document

[**REDACTED**]

"Ordinary Shares" or "Shares"	ordinary shares in the share capital of the Company

[**REDACTED**]

"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC

"PRC Legal Advisor"	Commerce & Finance, the PRC legal advisor to our Company

[**REDACTED**]

"Remuneration and Appraisal Committee"	the remuneration and appraisal committee of our Company, the details of which are described in "Corporate Information" in this document
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAMR", or formerly known as "SAIC"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局), formerly known as State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shandong Heavy Industry"	Shandong Heavy Industry Group Co., Ltd. (山東重工集團有限公司), a limited liability company established under the laws of PRC on June 16, 2009, being one of our Controlling Shareholders
"Share(s)"	ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, comprising Domestic [**REDACTED**] Share(s) and H Share(s)
"Shareholder(s)"	holder(s) of our Shares

"Sole Sponsor"	has the meaning given to it in the Listing Rules and, unless the context requires otherwise, refers to the sole sponsor named in "Directors and Parties Involved in the [**REDACTED**]" in this document

[**REDACTED**]

"STA"	the State Taxation Administration of the PRC (中華人民共和國國家税務總局)

[**REDACTED**]

"State Council"	the PRC State Council (中華人民共和國國務院)
"Strategy and Investment Committee"	the strategy and investment committee of our Company, the details of which are described in "Corporate Information" in this document
"subsidiary(ies)"	has the meaning ascribed to it under the Companies Ordinance
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the period comprising the three years ended December 31, 2022, 2023 and 2024
"U.S. Securities Act"	United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder

[**REDACTED**]

"United States", "U.S." or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$", "USD" or "U.S. dollars"	United States dollars, the lawful currency for the time being of the United States
"Weichai Holdings"	Weichai Group Holdings Limited (濰柴控股集團有限公司), a limited liability company established under the laws of PRC on December 11, 1989, being one of our Controlling Shareholders
"Weichai Power"	Weichai Power Co., Ltd. (濰柴動力股份有限公司), a company listed on the Stock Exchange (stock code: 2338.HK) and the Shenzhen Stock Exchange (stock code: 000338.SZ), being one of our Controlling Shareholders

In this document, the terms "associate", "close associate", "connected person", "core connected person", "connected transaction", and "substantial shareholder" shall have the meanings given to such terms in the Hong Kong Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this document have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

For the ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms used in this document in connection with our Group and our business. The meaning of these terms may not necessarily correspond to standard industry meaning or the usage of these terms.

"**5G**"	5th-generation mobile communication technology
"**AGV**"	automated guided vehicle, a self-guided automated vehicle designed to autonomously transport materials in industrial manufacturing
"**AI**"	artificial intelligence, an area of computer science that focuses on machinery simulation of intelligence displayed by humans and other animals
"**BOM**"	bill of material, a list that describes the composition and required materials of a product
"**CAC**"	Cyberspace Administration of China
"**CAGR**"	compound annual growth rate
"**CC**"	Company Communications, an online customer service system that integrates real-time communication, customer management, service monitoring, and data analytics into a single internet-based platform
"**CFR**"	the acronym for cost and freight, which requires the seller to arrange for the carriage of goods by sea to a port of destination and provide the buyer with the documents necessary to obtain the goods from the carrier
"**CIF**"	the acronym for cost, insurance and freight, where the seller is responsible to arrange for the carriage of goods by sea to a port of destination, and provide the buyer with the documents necessary to obtain the goods from the carrier, and the risk delivered

"**CII**"	critical information infrastructure refers to the important network facilities and information systems in important industries and fields such as public telecommunications, information services, energy, transportation, water conservancy, finance, public services, e-government and national defense science, technology and industry, as well as other important network facilities and information systems which, in case of destruction, loss of function or leak of data, may result in serious damage to national security, the national economy and the people's livelihood and public interests
"**CIIO**"	critical information infrastructure operator
"**Client-Edge-Cloud**"	a distributed computing architecture, aiming to optimize system performance, reduce latency, and improve resource utilization by distributing computing tasks among clients, edge devices, and the cloud
"**CNC**"	computerized numerical control
"**CRM**"	customer relationship management system
"**CVT**"	continuously variable transmission
"**ECVT**"	electric continuously variable transmission
"**EMS**"	a system that consists of self-driving carriers suspended from an overhead monorail track, allowing for flexible, efficient and automated movement of materials or components across different zones of the facility
"**horsepower**"	a unit of measurement of power
"**Huang-Huai-Hai**"	a significant region in eastern China, formed by the alluvial of the Yellow River, Huai River, and Hai River, and serves as a vital agricultural base with a dense population and rich cultural heritage
"**Transmission**"	a transmission mechanical device used to adjust the speed and torque based on road conditions and operator requirements by shifting gears
"**gear shift**"	the act of changing the gear ratio in an engineering machine's transmission, which adjusts the balance between speed and torque

"**GHG**"	green house gas, any gas that has the property of absorbing infrared radiation emitted from earth's surface and reradiating it back to earth, thus contributing to the greenhouse effect
"**IP**"	intellectual property
"**ISO**"	the International Organization for Standardization, a non-governmental organization based in Geneva, Switzerland, for assessing the quality systems of business organizations
"**ISO 9001**"	a standard published by ISO, prescribing specific requirements for a quality management system in an organisation
"**ISOBUS**"	ISO 11783, a standardised communication protocol used in agriculture and forestry machinery
"**IoT**"	internet of things, the collective network of connected devices and the technology that facilitates communication between devices and the cloud, as well as between devices themselves
"**IT**"	information technology
"**kg/s**"	kilogram(s) per second
"**kJ**"	kilojoules
"**MES**"	manufacturing execution system, a system used in manufacturing to track and document the transformation of raw materials to finished products in a production plant
"**MIIT**"	Ministry of Industry and Information Technology of the PRC
"**mu**"	mu, unit of area measurement, equivalent to approximately 666.67 square meters
"**kWh**"	kilowatt hour, unit of energy delivered by one kilowatt of power for one hour

"**PLM**"	product lifecycle management
"**PMS**"	project management system
"**PTO**"	power take-off, a drive shaft installed on a tractor allowing implements with mating fittings to be powered directly by the engine
"**SAP**"	an acronym for systems, applications, products, an enterprise resource planning system and an accounting-oriented information system that provides users with a real-time business application
"**SKU**"	stock keeping unit
"**sq.m.**"	square meter
"**SRM**"	supplier relationship management
"**TBOX**"	telematics box, a vehicle electronic control unit handling bidirectional communications between a vehicle and the outside world
"**tCO_2e**"	metric tonnes of carbon dioxide equivalent, illustrating the amount of GHG emitted during a given period
"**Teamcenter**"	a product lifecycle management system
"**ERP**"	enterprise resource planning, a business process management software that allows an organization to use a system of integrated applications to manage the business and digitalize back-office functions relating to technology, services, and human resources
"**FOB**"	the acronym for free on board, which requires the seller to assume responsibility until the products are loaded onto the shipping vessel
"**R&D**"	research and development

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

This document includes forward-looking statements. All statements other than statements of historical facts contained in this document, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- general political and economic conditions of jurisdictions in which we operate;
- our business operations and prospects;
- our capital expenditure plans;
- weather, natural disasters and climate change;
- the actions and developments of our competitors;
- our financial condition and performance;
- capital market developments;
- our dividend policy;

- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and business plans; and

- various business opportunities that we may pursue.

An investment in our H Shares involves risks. You should carefully consider all of the information in this document, including our consolidated financial statements and related notes before making an [**REDACTED**] *in our H Shares.*

Our business, financial conditions, results of operations and prospects could be materially and adversely affected by any of these risks, some of which are beyond our control. Other risks and uncertainties that we are not currently aware of or that are not disclosed or implied below, or which we do not currently believe to be material, may also be detrimental to our business, financial condition and results of operations. You should consider our business and prospects in light of the challenges we face, including those discussed in this section. The [**REDACTED**] *price of our H Shares may decline due to any of these risks, and you may lose all or part of your investment. This document also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks described below and elsewhere in this document.*

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We compete with both domestic and foreign companies in agricultural machinery and smart agriculture industry. If we fail to adapt to compete successfully with existing or new competitors, our business, financial condition and results of operations would be adversely affected.

The industry in which we operate is relatively new, rapidly evolving and constantly changing, something that is characterized by dynamic market conditions and technological advancements. Thus, our success will depend, in part, on our ability to respond to these changes and advancements in a cost-effective and timely manner. We compete with both domestic and foreign companies across our operations in the design and development, manufacturing and sales of agricultural machinery and the supply of smart agriculture solutions, including, among others, the comprehensiveness and adaptability of our products and solutions, brand recognition and ability to continuously iterate or innovate our products and solutions to meet evolving market demands.

Some of our competitors, particularly foreign companies that have developed mature, diversified intelligent agricultural machinery portfolios and advanced smart farming technologies, possess greater financial, technical and operational resources than we do. These competitors may (i) allocate significantly more resources than we can to the development, production and sales of their products and solutions; (ii) engage in or withstand intense price competition, a strategy we will not pursue due to our long-term commitment to sustainable growth, potentially diminishing our price competitiveness and market appeal in such situations; and (iii) leverage established operational history to cultivate stronger relationships with distribution partners and customers, enabling them to secure market share or negotiate more favorable contract terms.

With government increasing its support by promulgating policies prioritizing intelligent agricultural machinery and accelerating domestic substitution over imported products, we expect the competition in intelligent agricultural machinery industry in China to intensify in the future. If we fail to anticipate shifts in market demand and technological trends, and our competitors' products eventually become more favored than ours, whether due to lower costs or superior technology, our competitive position could be weakened, which could lead to reduced sales volumes, pricing pressures and margin erosion. Furthermore, while we strive to differentiate our offerings from other competitors, there is no assurance that we can compete effectively or maintain our market position without incurring significant costs. Any failure to preserve our competitive position may materially and adversely affect our business, financial condition and results of operations.

We may not be able to launch new products, upgrade existing products or continuously provide a full product portfolio range in a cost-effective manner to keep the latest market need and technological advancements in the industry, which could materially and adversely affect our business, financial condition and results of operations.

Our long-term competitiveness and market leadership depend substantially on our ability to continuously deliver a comprehensive and competitive product portfolio that meets the evolving needs of the agricultural machinery market. This includes not only the timely launch of new products but also regular upgrading or iteration of existing offerings to incorporate the latest technological advancements and responding to shifting customer preferences. The agricultural machinery and smart agriculture industry in which we operate is characterized by rapid innovation and constant technological evolutions. Emerging technologies such as artificial intelligence, Internet-of-Things, intelligent driving and intelligent interconnectivity are transforming the way agricultural machinery products are designed, manufactured and used. If we fail to keep pace with the technological trends, we risk falling behind our competitors and losing our relevance in the market.

Moreover, as customer expectations evolve, the pressure to diversify and enhance our product offerings intensifies. There is a growing demand for agricultural machinery that is more user-friendly and highly intelligent, reflecting a broader shift toward intelligent agricultural machinery products. Customer preferences are also increasingly influenced by the introduction of new and innovative products in the market. If we fail to align our product portfolio with market demand and technological trends, whether due to limitations in our research and development capabilities, resource constraints or strategic misalignment, we may lose our competitive edge in the market. This could lead to reduced customer satisfaction, loss of market share and erosion of brand value.

In addition, the cost of developing and maintaining a full product portfolio can be substantial. If we are unable to manage these costs effectively, our financial performance can be exposed to considerable constraints. Furthermore, failure to anticipate or respond to market shifts in a timely manner could result in obsolete inventory, missed sales opportunities and reputational harm. There is no assurance that our upgraded or newly launched products will generate positive cash flows or become profitable within a short period of time or at all. If we are unable to bring upgraded or new products to the market in a timely and cost-effective manner, our profitability, results of operations and business prospects may be adversely affected.

Our continuous efforts in research and development may not generate the results we expect to achieve and may negatively affect our business, financial operation condition and results of operations.

Technological advancements are critical to our long-term growth and market competitiveness. We have consistently allocated resources to our research and development efforts and expect to continue making a certain amount of capital investment in this area to advance our technologies and product portfolio. We incurred research and development expenses of RMB570.6 million, RMB676.9 million and RMB838.6 million in 2022, 2023 and 2024, respectively, accounting for 3.6%, 4.6% and 4.8% of our total revenue during the respective periods.

However, research and development activities are capital-intensive, time-consuming and subject to unpredictable outcomes which may be unfavorable. We may encounter significant unexpected technical challenges, or delays in completing the development of new and enhanced technologies that can be incorporated effectively into our products in a cost-effective manner, which would require us to invest significant resources in research and development to:

- Proactively identify shifts in customer preferences and industry dynamics to guide early-stage research and development planning, development of modular and reusable technologies that can be efficiently deployed across multiple product lines, elevating development efficiencies that differentiate us from our competitors;

- Attract and secure talents in critical fields such as agricultural machinery power systems, intelligent control systems and smart agriculture algorithm designs, and to equip this team with advanced research and development tools to optimize their productivity and output quality;

- Maintain collaborative partnerships with domestic and international research institutions, universities and other partners, ensuring our ability to capture and commercialize emerging technologies; and

- Monitor and adapt effectively to technological advancements and new products and solutions announcements by our competitors

However, we cannot guarantee that our research and development investments and efforts will yield commercially viable technologies and achieve market recognition as expected. Development activities are inherently uncertain, and resource limitations including funding, talent retention or access to collaborations could disrupt development timelines or compromise output quality. Even if we succeed in such research and development as expected, our operating cash flow and profitability may be adversely affected due to our substantial investment in it in the short to medium term, while revenue from newly launched products might fail to offset development expenses. Additionally, new technologies could also render our developed technologies, technological infrastructure, products or solutions that we are developing or scheduled to develop in the future obsolete or unattractive, thereby limiting our ability to recover related development costs, which could result in a decline in our revenues, profitability and market share.

Any failure to successfully execute production capacity expansion plans or effectively utilize our production bases may materially and adversely affect our business, financial condition and results of operations.

We aim to expand our production capacity in line with the growth of our business to meet the growing market demand for large-scale and intelligent agricultural machinery products, thereby supporting our long term strategic development. See "Business — Our Production — Production Expansion Plan." The feasibility of our production expansion plan is limited by various factors, such as (i) timely and cost-effective land acquisition and compliance with local regulatory requirements; (ii) the availability of sufficient management and financial resources; (iii) the ability to hire, train and retain skilled personnel, and (iv) the capacity to upgrade existing equipment and enhance production techniques and acquire new production facilities. We may invest significant resources in land acquisition, facility planning, site selection, contract negotiations and construction. However, our expansion efforts are subject to a variety of operational or financial risks, including:

- risks of demand misalignment, for example, insufficient implementation of our production expansion plan could constrain our production capacity thereby causing us to fail to meet market demand, ultimately resulting in delays in delivering products to our customers, while overinvestment in production expansion allied with insufficient orders from our customers could also directly impact production base utilization rates and elevate our cost of sales, in turn affecting our profitability;

- disruption by a variety of incidents including nature or other disasters, such as fires, floods, storms or IT system breaks, power and water suspensions, most of which are out of our control; and

- delays or cancellations of our expansion plans could subject us to disputes with various counterparties such as general contractors and subcontractors, equipment suppliers, financiers and relevant government authorities, which could result in financial penalties or legal liabilities;

Any of the aforementioned factors could render our efforts to expand our production capacity unable to achieve the expected benefits, or result in demand misalignments, leading to insufficient resource allocation and a long-term underperformance of our production facilities. We cannot give assurances that such investments will generate positive cash flows promptly, or at all. Such situations could have a material and adverse impact on our business, financial condition and results of operations.

Operational disruption and machinery breakdown in our production facilities may interrupt our production schedule, which could adversely impact on the fulfillment of contracts.

Our production relies on the stable operation of our manufacturing facilities and bases, particularly machinery and equipment for key processes. During the Track Record Period, we had six production bases of agricultural machinery and related components and nine production lines. See "Business — Our Production — Production Capacity."

The stability of our production cycle is vulnerable to several risks. Strikes, work slowdowns and other forms of industrial action, as well as deteriorating employee relations or shortages of skilled labor, particularly during peak production periods, could disrupt workflow and output timelines. In addition, our access to sites and equipment could be subject to unforeseen interruptions including fires, earthquakes, floods and other natural disasters. If any of these events occur and we fail to promptly identify and remediate, our production activities could be halted or delayed. If prolonged, such interruptions could cause us to fail to meet our contractual obligations to customers in relation to delivery of products and cause our production capacity to be under-utilized, something that may further subject us to liabilities or legal proceedings and affect our reputation and relationships with our customers.

Unsatisfactory performance of or defects in our products, or failure to maintain an effective quality management system, may lead to product returns, recalls or potential warranty and production liability claims, which could harm our reputation and have a material adverse effect on our business, financial condition and results of operations.

As our products are widely used in rural areas, the success of our business depends heavily on our ability to provide high-quality products and provide reasonable warranty schedules constantly. To address potential quality concerns, we generally offer a one-year product warranty, with an extended two- to three-year warranty period for certain key components to our customers to address any quality defects of our products. See "Business — Sales, Marketing and Customer Service — User Engagement and After-Sales Services." Under these warranties, we are obliged to carry out all necessary repairs and/or replacements at no cost to the customer during the applicable warranty period. As such, any flaws or defects in our design and production process could expose us to significant liabilities under our warranty commitments. We calculate the provisions based on the level of historic claims incurred and our management's best estimates of repair and replacement costs under product warranties and their projections of the nature, frequency and costs of potential future claims under performance warranties. However, these estimates are inherently uncertain, and any changes to our estimates, especially with respect to new products and solutions, may require us to make material adjustments to our warranty reserve policies in the future. If our warranty reserves prove insufficient to cover actual warranty claims, or if our suppliers and subcontractors fail to honor the underlying warranties that we pass through to our own customers, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We have implemented stringent internal control measures to ensure product quality. However, flaws and defects in our design and production processes, or in those of our suppliers and subcontractors could give rise to product liability and product recall exposures. If we supply a customer or end user with a product and have failed to identify or prevent a defect in advance they may demand a return or recall, which may incur additional costs, harm to our reputation and could lead to a decrease in sales. Further, defective products may trigger other compliance issues or relevant laws and regulations which could subject us to administrative proceedings or penalties, causing damage to our brand. The occurrence of any of the foregoing concerns could have a materially adverse effect on our business, financial condition, results of operations and prospects.

We may be subject to liability in connection with accidents that occur during the production process at our production bases due to, among others, failures to comply with various safety laws.

We are required to comply with the applicable production safety laws and regulations in relation to our production, such as Production Safety Law of the PRC (《中華人民共和國安全生產法》). We have established internal safety protocols and require all employees to strictly adhere to the safety measures and procedures outlined in our internal policies. Nevertheless, there is no assurance that our safety measures or relevant legal requirements will be consistently followed by our employees. As a result, there remains a risk of industrial accidents at our production sites. In the event of a safety incident, we could be held liable for personal injury or death, as well as for any resulting monetary losses suffered by our employees.

In addition, we may also face administrative penalties including fines, orders to rectify non-compliance within a specified timeframe, or even a mandatory suspension or an instruction to cease operations in certain production sites. These legal consequences could be accompanied by reputational damage and increased scrutiny from regulatory authorities. Additionally, we may be subject to civil claims or legal proceedings initiated by our employees or their families, particularly in cases involving injury or casualty. Such claims could also result in compensation obligations, additional legal expenses and further reputational harm. As such, any failure to comply with applicable safety regulations or prevent workplace incidents could materially and adversely affect our business, financial condition and results of operations.

We generate a vast majority of our revenue from our distribution partners and rely on our distribution network as well as direct sales channels to promote and sell our products. We may encounter difficulties in maintaining or expanding our sales network.

Distribution is an essential part of our sales channel through which we generate a vast majority of our revenue. Given our heavy reliance on this distribution network, our business, financial condition and operating results are dependent on the effective management and coordination of our distribution partners. However, we are exposed to inherent risks associated with our distribution network which may materially and adversely impact on our potential future revenue, including:

- Violations of distribution agreements or non-compliances conducted by our distribution partners, potentially harming our brand reputation and market credibility;
- Unauthorized use or improper use of authorized trademarks, or improper promotional activities creating regulatory compliance risks;
- Unauthorized sales by our distribution partners outside the predetermined geographic area as prescribed in our distribution agreements;
- Inconsistent marketing execution and service delivery of our distribution partners failing to meet customer expectations;
- Unregulated sub-distribution of our distribution partners through secondary channels without the verification of the competency of such secondary distribution partners, risking brand integrity and market control;
- Loss of competitive positioning by our distribution partners in the assigned markets; and
- Challenges in effectively expanding our distribution coverage, as well as identifying and recruiting qualified distribution partners to meet our expansion goals.

Any of the foregoing events could disrupt our ability to manage or expand our distribution network, and could materially and adversely affect our business, financial condition, results of operations and prospects.

In addition, we also generate revenue from direct sales customers which mainly include large-scale agricultural enterprises. Failure to maintain business relationships with existing direct sales customers or to attract relationships with new direct sales customers could adversely affect our brand, business and financial performance.

Our business is highly dependent upon the cycle of the agricultural market. Negative conditions in the agricultural industry may cause weakened demand for our products and solutions which could result in a negative effect on our business, financial condition and results of operations.

Our business success is interconnected with the vitality of the agricultural industry, which has constantly been cyclical and subject to a variety of economic and environmental factors. Demand for agricultural machinery depends on numerous factors such as farm income, land values, debt levels and financing costs, which are influenced by several key factors including:

- Crop prices, as farmers and agricultural businesses adjust their purchasing decisions based on the profitability of their crops;

- Global grain supply fluctuations, where shortages or surpluses can destabilize the price of agricultural commodities, creating uncertainty in farmers' willingness to upgrade machinery;

- Weather conditions which may directly impact crop yields, affecting demand for agricultural machinery and upgrading decisions; and

- Government support programs (for example, the amount of the subsidy and the time required for the funds to be credited) which may encourage farmers to exchange old and obsolescent machinery for newer and more intelligent agricultural machinery but remain subject to shifting policy priorities.

These uncertainties create challenges in forecasting demand, managing costs and predicting financial outcomes. Prolonged downturns in the agricultural industry driven by several aforementioned factors may result in a decrease in demand for agricultural equipment, which in turn could adversely affect our operational and financial performance.

If we experience any delay or interrupted supply, or if the quality of raw materials supplied does not meet our required standards, our business and the results of our operations and financial condition may be materially and adversely affected.

We rely on a diverse range of raw materials, parts and components, as well as indirect materials to manufacture our products. See "Business — Procurement, Inventory Management and Logistics — Procurement." Our material costs were RMB12,531.6 million, RMB11,580.7 million and RMB13,758.3 million in 2022, 2023 and 2024, respectively, constituting 89.2%, 91.0% and 91.2% of our cost of sales during the respective periods.

Our production efficiency and continuity depend on a timely and stable supply of high-quality raw materials. If our suppliers fail to fulfil their obligations on time and we lack a sufficient inventory of raw materials needed or alternative sources, our production process and delivery schedules may be disrupted. In such cases, we may incur additional costs in securing a sufficient supply of raw material during the process, which would increase our cost of sales and negatively impact on our financial performance and additionally affect our sales and profitability. Although we have engaged and established long-term relationships with multiple suppliers to ensure our inventory, and have secured favorable bargaining positions, there is no assurance that we will be able to successfully retain and manage our suppliers to maintain procurement costs within a reasonable range or obtain sufficient supplies or find new suppliers on comparable terms in a timely manner if any supplier relationship is terminated. Any incident associated with the supply of raw materials or our relationships with suppliers could lead to increased costs, supply shortage and reputational damage.

The quality of raw materials also directly affects the quality of our finished products. While we implement strict quality control measures over raw materials, we cannot guarantee that all raw materials used in our products meet our standards. Substandard materials may lead to products defects or recalls, which could damage our brand and the trust customers place in us.

Additionally, any substantial increase in the price of raw materials could also affect our cost of sales and overall profitability. Prices of raw materials and components fluctuate with market conditions and are subject to various factors beyond our control, such as supply and demand dynamics, inflation and government regulations and policies. As such, we may not be able to procure stable, high-quality raw materials at reasonable prices at all times, and there is no assurance that our raw materials costs will not increase significantly in the future. Any substantial price increase in raw materials may have a materially adverse effect on our profitability and results of operations. Furthermore, raising product prices to offset the higher cost of sales may reduce customer demand.

Any of the foregoing issues in relation to delays or interruptions, quality concerns or pricing fluctuations in the supply of raw materials and components could materially and adversely affect our business, financial condition and results of operations.

Failure to accurately forecast market demand for our solutions and maintain an optimal inventory level may materially and adversely affect our business, financial condition and results of operations.

Effective inventory management is critical in guaranteeing stable production and timely delivery to our customers. Our inventory primarily consists of raw materials, semi-finished goods and finished goods. As of December 31, 2022, 2023 and 2024, our inventories and other contract costs were RMB2,250.6 million, RMB3,642.2 million and RMB2,832.0 million, respectively. Our inventories and other contract costs turnover days were 81.2 days, 86.5 days and 79.9 days in 2022, 2023 and 2024, respectively. See "Financial Information — Discussion of Selected Items from the Consolidated Statements of Financial Position — Inventories and Other Contract Costs."

Accurately forecasting market demand can be challenging. Overestimating demand may result in inventory exceeding our actual need, potentially leading to inventory write-downs or write-offs and or discounted sales, and could negatively impact our financial performance. Conversely, underestimating demand could result in shortages in raw materials or delayed deliveries, damaging customer relationships and operational efficiency. Predicting market demands and managing inventory levels effectively can be challenging due to numerous factors, including unpredicted events such as shortages in the supply of raw materials, rapidly changing market trends and sudden natural disasters. Failure to forecast consumer demand and maintain balanced inventory levels or to adapt to unforeseen events could result in increased inventory obsolescence, a decline in inventory value or inventory write-downs. Our business, financial condition and operational results may be significantly impacted if we do not accurately forecast market demand and maintain appropriate inventory levels.

Any improper warehousing or handling of our products, delivery delay or material changes in warehousing and logistics-related costs could materially and adversely affect our business and results of operations.

During the Track Record Period, we utilized a combination of self-owned warehouses and leased warehouses to store our products and inventory, adhering to internal storage standards and procedures designed to minimize the risk of damage. However, we cannot guarantee that our warehouses and rental warehouses will consistently maintain optimal conditions to store our products and inventory, or there is no improper handling by our employees during the process. Additionally, leased warehouse costs are subject to volatility due to market demand fluctuations or rental rate increases, and this could impact on our operating margins. We may have to turn to alternative storage service providers if a leased warehouse provider unexpectedly terminates services or we are unable to secure or renew warehousing arrangements under commercially viable terms, potentially incurring unplanned costs, the disruption of inventory management and delays in production schedules, which could adversely affect our business, financial condition and operational results.

During the Track Record Period, we engaged in independent third-party logistics service providers to transport our products from manufacturing bases to warehouses, and from warehouses to customers. While we maintain collaborative relationships with third-party logistics service providers, their operations remain outside our direct control, exposing us to risks such as product damage from mishandling, delivery delays due to labor shortages or extreme weather and potential breaches of contractual obligations. Additionally, costs of third-party logistics services may fluctuate sharply due to various reasons, such as fuel price hikes or transportation market pressures, which could directly increase our cost of sales. Furthermore, we may not be able to identify substitute logistics service providers capable of supplying logistics services on commercially reasonable terms, or at all, thereby potentially impacting order fulfillment timelines, which could pose a negative impact on our business, financial condition and results of operations.

Our business may be subject to seasonality, in alignment with the agriculture industry, and may result in certain periods when our results of operations fall short of expectations.

Our operations are strategically aligned with the agriculture industry. Therefore, seasonal fluctuations in agricultural activities, such as planting and harvesting cycles, can significantly impact the demand for our products and solutions. During the Track Record Period, we typically recorded higher revenue and cost of sales in the second and third quarters of the year, aligning with preparations for peak farming seasons. See "Financial Information — Major Factors Affecting Our Results of Operations — Specific Factors — Seasonality." However, the intensity of these seasonal fluctuations may vary from year to year due to shifting industry conditions and other factors, which makes it difficult for us to predict precisely the level of demand. Furthermore, our interim financial results may not align with full-year trends due to these seasonal variations. Therefore, comparisons of our operational results between different quarters within a single fiscal year or across different fiscal years are not necessarily meaningful and should not be relied on as indicators of performance.

We may be subject to risks inherent in international operations, including operational risks, complex compliance and regulatory requirements, in particular, uncertainties associated with international trade policies, trade protection measures, economic or trade sanctions and export control measures, as well as risks associated with geopolitical tensions.

We have established a comprehensive sales and marketing network with a strong global presence, mainly through distribution. As of the Latest Practicable Date, we sold our products to over 120 countries and regions, and revenue generated from our overseas markets (regions excluding mainland China) was RMB949.0 million, RMB1,257.2 million and RMB1,725.0 million in 2022, 2023 and 2024, respectively, representing 5.9%, 8.6% and 9.9% of our total revenue in the same periods, respectively. As we continue to expand our global footprint, we are increasingly exposed to a wide range of risks and operational challenges. Such risks primarily include difficulties in gaining in-depth understanding of local markets and cultures, intensified competition, more complex distribution logistics, increased expenses associated with staffing and managing international and cross-border operations, an inability to maintain strong relationships with existing distribution partners while seeking new collaboration opportunities, failure in building and sustaining connections with customers and local stakeholders, and potential harm to our brand and reputation if we fail to deliver high-quality products and services or effectively manage our operations.

Additionally, as we expand into global markets, we may be subject to risk in complying with foreign laws and regulations, which include trade protection measures, economic or trade sanctions, export controls requirements, anti-dumping policies, anti-corruption laws, anti-money laundering laws, environmental and labor laws and regulations, restrictions on foreign investment and anti-competition rules. In recent years, rising geopolitical tensions and national security concerns have led to stricter international trade policies, trade protection measures, economic or trade sanctions and export control measures. While our business operations do not represent any apparent or material sanctions risks, the interpretation and enforcement of such laws and regulations and future development in global trade dynamics may impose new restrictions or uncertainties on our business. Non-compliance with such laws could result in a restriction on our ability to conduct cross-border business, an increase in compliance burdens, or lead to reputational damage, and our business, financial condition and operation results may be materially and adversely affected.

Furthermore, our international operations are subject to local political and economic conditions, as well as the wider geopolitical environment. Changes in government leadership, regulatory priorities, or macroeconomic indicators such as inflation, currency fluctuations, or interest rate shifts could reduce consumer demand and investment confidence. Heightened political tensions may also disrupt global trade, investment and technological exchange, potentially affecting us, our business partners, suppliers and/or customers. This could hinder access to critical technologies, systems or components that may be critical to our technology infrastructure, product offerings and business operations. We cannot assure you that we will be able to anticipate and mitigate all such risks as we continuously expand our business, and failure to do so could materially and adversely affect our business, financial condition and operating results.

Changes in international trade policies and tariffs may adversely affect our business, financial condition and results of operations.

Our operations are subject to risks arising from unpredictable political, trade and regulatory developments in the jurisdictions where we operate, particularly those influenced by U.S. government policies. Shifts in international trade policy including tariffs, retaliatory measures and evolving bilateral or multilateral agreements could materially and adversely affect the global economy, trade relations and our business.

For instance, in February and April 2025, the U.S. government introduced tariffs targeting major trading partners such as Canada, China, the EU and Mexico, with a baseline duty on all countries and additional individualized tariffs on nations with significant trade deficits relative to the U.S. (the U.S. Reciprocal Tariffs). Subsequent updates escalated tariffs to 145% on Chinese imports and imposed higher duties on goods from other regions, where we maintain operations or are intending to expand our operations. On April 9, 2025, the U.S. temporarily paused these tariffs for 90 days for non-retaliating partners, although the 10% baseline tariff continued to apply broadly. Tariffs on Chinese imports remain unchanged. In response, China raised tariffs on U.S. goods to 125%. The scope, interpretation and administration of these measures remains uncertain and subject to ongoing negotiations.

During the Track Record Period, our direct revenue from the U.S. and supply chain reliance on U.S. markets was not significant, limiting the immediate adverse impact of these tariffs and retaliatory actions as of the Latest Practicable Date. However, future adjustment to U.S. trade policies could possibly lead to retaliatory measures by affected countries, potentially disrupting global supply chains. The existing tensions and any further deterioration in relationships between the United States and China and between other countries may also have a negative impact on the general, economic, political and social conditions around the globe, which could strain our ability to manage operational costs or adapt to market shifts. Failure to mitigate these risks could materially and adversely affect our business, financial condition and operational results.

If we fail to provide high-quality after-sales services to meet the expectations of our customers, our business and reputation may be adversely affected.

Providing high-quality after-sales service is crucial in maintaining customer satisfaction, fostering brand loyalty and differentiating ourselves in a competitive market. We implement various measures to ensure delivery of high-quality after-sales service, for example we provide certain warranty schedule, see "Business — Sales, Marketing and Customer Service — User Engagement and After-sales Services — After-sales Services". As such, we may incur certain costs in relation to the warranty we provide, see "Financial Information — Critical Accounting Policies and Estimates — Significant Accounting Judgments and Estimates — Estimation Uncertainty — Warranty", and we cannot guarantee that we will consistently meet customer expectations across all regions and at all times. Challenges such as limited service capacity and difficulties in expanding our after-sales team, as well as the need for ongoing training, may hinder our ability to provide timely and effective support. Additionally, as a majority of our end users are professional machine operators who frequently work across multiple regions, they often require cross-regional technical assistance. If we fail to provide high-quality after-sales service to our customers, or if we fail to maintain an extensive after-sales network, we could face dissatisfaction, negative reviews and a decline in brand loyalty. Dissatisfied customers may choose to switch to our competitors, leading to a potential loss of market share and revenue. Moreover, unresolved service issues can escalate into product complaints, warranty claims or even legal disputes, further straining resources and damaging our reputation. Any failure to provide high-quality after-sales service and maintain and expand a responsive, well-trained and accessible service network could potentially affect our customer relationships and brand image, which in turn could impose material and adverse effect on our business, financial condition and results of operations.

Our information technology systems may experience system failures, interruptions or security breaches. Any significant interruption in services on our information technology systems, online platforms and websites, including events beyond our control, could materially and adversely affect our business, financial condition and results of operation. The proper functioning of our IT systems and infrastructure and our ability to continuously improve them are essential to our business.

Our business relies on the real-time processing capabilities of our IT systems to handle large volumes of information. We depend on our IT systems, online platform and websites to support and drive our operations. The availability and stability of these platforms are directly tied to any given user's experience, and concerns in these systems may impact overall user satisfaction. Our competitiveness and efficiency are supported by advanced information technology across various aspects of our business, including raw materials supply, production, operation, sales and distributions and logistics. See "Business — Information Technology."

However, our IT systems, online platforms and websites may be vulnerable to damage or interruption from circumstances beyond our control. Disruption to IT systems, or partial or complete failures or significant interference affecting the functionality of our online platform or websites may result from hardware or software malfunctions, cyber-attacks, computer viruses, acts of hacking, vandalism, power outages or other unforeseen events. Such incidents can lead to operational delays, loss of data and reduced productivity, while security breaches may compromise sensitive information, leading to potential legal liability and reputational damage. Despite our efforts to implement robust cybersecurity measures and maintain reliable IT infrastructure, there is no guarantee that we can completely prevent such incidents. Any system failures, interruptions or security breaches could result in transaction errors, process inefficiencies and loss of sales, which could have a significant impact on our performance and further harm our reputation, adversely and materially impairing our business, financial condition and results of operations.

We have implemented a variety of cybersecurity measures; however, these measures may not be able to detect, prevent or mitigate all attempts to compromise our systems. Such attempts may include distributed denial-of-service attacks, viruses, Trojan horses, malicious software, unauthorized intrusions, phishing attacks, third-party interference, security breaches, employee misconduct or negligence, data leaks and other threats or disruptions that could interrupt our services or compromise the security of data stored in or transmitted through our systems. If our security measures are breached, it could result in unauthorized access to our systems, theft or misuse of information or data, deletion or alteration of user information, or denial-of-service incidents that disrupt our business operations. Because the techniques used to gain unauthorized access to or sabotage systems evolve rapidly and are often unknown until they are deployed either against us or our third-party service providers, there is no guarantee that we will be able to anticipate or implement sufficient defenses against such attacks. If we fail to prevent or respond to these attacks and breaches, we may face significant legal and financial liabilities, reputational damage and substantial revenue losses due to reduced sales and customer dissatisfaction.

In addition, we must keep pace with technological advancements and continuously invest substantial resources including financial and human capital to maintain, upgrade and expand our IT systems and infrastructure to support business growth and development. Rapid technological changes may render our existing systems and infrastructure, as well as newly developed and implemented ones, obsolete before we are able to realize sufficient returns to recover any investment costs. This could result in significant losses and adversely affect our operating performance. If our efforts in technology investment are unsuccessful, our business performance and future prospects could be materially and adversely impacted.

Furthermore, our business partly depends on the performance and reliability of internet infrastructure and telecommunications networks. Any failure by telecommunications providers to deliver the necessary bandwidth could impair the speed and availability of our websites.

We collect and access certain personal information of users of our services and products through our systems. Any actual or perceived failure to comply with data privacy, cybersecurity or data protection laws, or concerns regarding our practices or policies in collecting, using, storing, retaining, transmitting, disclosing or otherwise processing such data could expose us to potential liabilities.

We collect and access various types of data related to our enterprise clients, their authorized users and individual agricultural machinery users, such as names, mobile phone numbers and agricultural machinery information. We process such data and deliver our services and products through our IT systems. Our data processing activities are subject to applicable laws and regulations in China concerning privacy, data protection and cybersecurity. See "Regulatory Overview — Laws and Regulations Related to Information and Cybersecurity." We anticipate that the collection, use, processing and storage of personal information and data will continue to attract increasing scrutiny from regulatory authorities and public, which may raise compliances costs for both our Group and our clients. In addition, we are obliged to ensure the security of our data and online platforms, and compliance with relevant laws and regulations requires significant investment. We cannot guarantee full compliance at all times due to potential employee misconduct, misinterpretation of legal requirements, changes or further interpretations of applicable laws and regulations or actions by third parties. Any failure to comply with such laws and regulations in the collection, use or disclosure of personal information, whether collected by us or accessed through our systems or cybersecurity infrastructure could result in legal action or enforcement measures by government authorities or other parties. Such actions may lead to substantial penalties, negative publicity, required changes to our business practices, increased costs and significant disruption to our operations.

We cannot assure you that unauthorized third parties will not successfully gain access to personal information related to our clients and any end users of our products and solutions. Such information may also be exposed due to human error or other forms of misconduct. Any unauthorized access to personal data or compromise of our system security could adversely affect our business, financial condition and results of operations.

We are subject to various risks relating to the Third-Party Payment Arrangements.

During the Track Record Period, some of our customers settled payments with us through bank accounts that were not held by the contractual parties specified in the corresponding sales agreements (the "**Third-Party Payment Arrangements**"). In 2022, 2023 and 2024, the number of customers who settled payments through Third-Party Payment Arrangements was 163, 99 and 145, respectively, and the aggregated amount they settled under the Third-Party Payment Arrangements was RMB422.1 million, RMB181.5 million and RMB319.8 million, respectively, representing approximately 2.6%, 1.2% and 1.8% of the total payments we received from all customers, respectively, in the same periods. We have been managing and rectifying the Third-Party Payment Arrangements. See "Business — Third-Party Payment Arrangements."

We were exposed to several risks related to these Third-Party Payment Arrangements during the Track Record Period, including: (i) third-party payers who are not contractually obligated debtors may seek reimbursement of funds from us, despite our having typically entered into the Written Delegation with both the relevant customers and third-party payers; (ii) potential claims from liquidators of third-party payers; and (iii) potential risks arising from our limited visibility into the source and intended use of funds by third-party payers. If any claims are made by third-party payers or their liquidators, or if any legal proceedings are initiated or brought against us regarding any third-party payments, we may need to allocate additional financial and management resources to address these claims or legal proceedings, which could adversely affect our business and financial performance.

Any failure to comply with privacy protection, data protection and cybersecurity security laws and regulations may materially and adversely affect our business, financial condition and results of operations.

We collect customer data during our sales process and have access to certain personal data submitted by users registered on our online platforms and websites such as names, mobile phone numbers and agricultural machinery information in the course of providing our smart agriculture services. In recent years, cybersecurity, data protection and personal information protection have become an increasing regulatory focus of government authorities across the world. The PRC government has implemented a comprehensive regulatory framework for cybersecurity, data protection and personal information protection in recent years, including (i) the Cybersecurity Law of the People's Republic of China (《中華人民共和國網絡安全法》) promulgated by the Standing Committee of the National People's Congress and effective since June 1, 2017, which established the first national-level data protection framework for "network operators", a broad term encompassing most entities providing internet-based services; (ii) the Data Security Law of the People's Republic of China (《中華人民共和國數據安全法》) promulgated by the Standing Committee of the National People's Congress and effective since September 1, 2021, which outlines a number of obligations on data security and personal information for entities handling such data, including classification, risk management and data cross-border transfer regulations; (iii) the Personal Information Protection Law (《中華人民共和國個人信息保護法》) promulgated by the Standing Committee of the National People's Congress and effective since November 1, 2021, which specifies the circumstances under which personal information processors are permitted to handle personal data, and sets out the responsibilities and obligations that such processors must adhere to when processing such information, including the principles of data minimization and transparency; and (iv) the Regulation on Network Data Security Management (《網絡數據安全管理條例》) promulgated by the State Council and effective since January 1, 2025, which further refines compliance requirements for data processing activities. See "Regulatory Overview — Laws and Regulations Related to Information and Cybersecurity" and "Regulatory Overview — Regulations Relating to Personal Information Protection." These laws and regulations relevant to cybersecurity, data protection and personal information protection would impact on the data collection, use, storage and other data processing activities conducted in our business operations.

On December 28, 2021, the Cyberspace Administration of China (CAC), together with other regulatory authorities, jointly revised and promulgated the Cybersecurity Review Measures, which provide that: (i) Critical Information Infrastructure Operators (CIIOs) that procure network products and services which affect or may affect national security must file for a cybersecurity review; (ii) online platform operators that hold personal information of more than one million users and plan to list in foreign countries must file for a cybersecurity review; and (iii) that the Cybersecurity Review Office may initiate a review in accordance with the Cybersecurity Review Measures upon approval by the Central Cyberspace Affairs Commission if the cybersecurity review working mechanism members believe that certain network products, services or data processing activities affect or may affect national security. As of the Latest Practicable Date and pursuant to the applicable laws and regulations of China, we have not been informed that we are identified as a CIIO by any relevant authority. On May 29, 2025, our PRC legal counsel consulted with staff at China Cybersecurity Review, Certification and Market Regulation Big Data Center ("CCRC", which is named as the China Cybersecurity Review Technology and Certification Center formerly) on our behalf and under our real name via the official hotline published by the CAC. According to the CAC's official announcement, the Cybersecurity Review Office under the CAC has authorized the CCRC to receive and review filing materials and to provide expert guidance via the cybersecurity review consultation hotline. Based on the relevant consultation, our PRC legal counsel is of the opinion that, since Hong Kong is part of the PRC and does not fall under the definition of "to list in foreign countries" as stipulated in the Cybersecurity Review Measures, we are not required to proactively file for a cybersecurity review in connection with a [**REDACTED**] in Hong Kong. As the Cybersecurity Review Measures were only recently issued, certain provisions and implementation standards remain subject to further clarification and guidance by the relevant authorities. These authorities retain broad discretion in interpreting and enforcing the applicable laws and regulations. We will closely monitor and assess any developments in the rulemaking process. Should we become subject to a cybersecurity review or investigation by PRC regulatory authorities in the future, any failure or delay in completing the review process, or any other non-compliance with relevant laws and regulations could result in fines or other penalties, including suspension of relevant business operations, shutdown of our website, removal of our mini-programs from distribution platforms, revocation of necessary licenses, reputational damage or legal proceedings or actions against us. Any of the foregoing could have a materially adverse effect on our business, financial condition or results of operations.

We have adopted various measures to ensure legal compliance. See "Business — Data Privacy and Protection." However, our compliance remains challenging due to the complexity and evolving nature of these laws and regulations. Regulatory interpretations and applications can shift unpredictably, creating uncertainty about compliance standards. Ensuring compliance would also become increasingly complex and resource intensive. As such, we cannot assure you that our cybersecurity, data protection and personal information protection measures are, and will be, considered sufficient under applicable laws and regulations. Any unintentional or deliberate security breach or other unauthorized access to our systems could result in the exfiltration of confidential information for criminal purposes and may expose us to liabilities related to data loss, time-consuming and costly litigation and negative publicity. If our security measures are compromised, or if we otherwise fail to protect the confidentiality of a user's personal data and are thereby found to have failed to meet applicable legal and regulatory requirements, whether through actual violation or perceived non-compliance, we may suffer reputational damage, loss of customer trust, regulatory investigations, fines and potential operational restrictions. Such consequences could ultimately impose a material and adverse effect on our business, financial condition and results of operations.

Our success relies on key management and other employees. If we are not able to attract or retain our key employees, our business, financial condition and results of operations may be materially and adversely affected.

Our success depends on the expertise of our key management and other qualified personnel with specialized skills, as well as our ability to attract, recruit and retain such personnel. In particular, we rely on our research and development team to drive technological innovation and product development, our extensive sales channel to maintain strong customer relationships and key management teams to organize and manage our company effectively. These individuals are instrumental in executing our strategic initiatives, managing daily operations and fostering innovation.

However, factors such as competitive job markets, evolving employment conditions and the limited availability of skilled professionals may impact our ability to maintain a strong and capable workforce. If one or more of our key personnel are unwilling or unable to continue their employment with us, we may face challenges in finding suitable replacements, which could disrupt our operations and incur additional costs. Additionally, our key personnel may join our competitors, which exacerbate the difficulty in keeping our edge in the market.

We cannot assure you that we will be able to attract and retain a qualified workforce to support our daily operations and future development promptly or at all. There are also no assurances that newly hired personnel will adapt effectively to our business environment. Recruitment and training of new personnel may also incur additional outlay, which could temporarily disrupt our business and limit our ability to grow. As such, the loss of key management or specialized personnel may lead to disruption in our operations, hinder our ability to execute business strategies and negatively affect our financial condition and results of operations.

We may experience deterioration in relationships with our employees, shortage of labor or an increase in labor costs, which may have an adverse effect on results of operations.

As the production and sale of our products are labor-intensive, attracting and retaining qualified employees plays an important role in our success. We are committed to providing fair and equal opportunities for our employees in terms of evaluating their performance and intend to offer competitive wages and incentives. However, we may be subject to claims, investigation and negative publicity in relation to safety production, workplace environment and occupational hazards, particularly in cases where our employees, third-party service providers or members of the public suffer injuries or casualties at any of our facilities, which is something that may cause a deterioration in labor relations with our employees.

We primarily recruited employees through on-campus jobs fairs at universities, employment websites and third-party labor dispatching companies during the Track Record Period. Recruitment activities usually result in additional expenditure for us. With rising wage levels, we may also encounter difficulties in offering compensation that meets employee expectations. Failure to provide competitive wages may lead to the resignation of our employees or a shortage of labor.

In addition, the use of temporary or dispatched workers, while operationally flexible, may present challenges such as variability in technical proficiency and complexities in contractual coordination. If we fail to secure sufficient labor, especially during peak production seasons, whether due to recruitment challenges, deteriorated employee relations or wage competition, our production timelines may be delayed. This could impair our ability to meet market demand thereby eroding customer trust. Any of the foregoing issues may materially and adversely affect our business, financial condition and results of operations.

Our business operation and project construction are subject to various permits, licenses, approvals and/or qualifications and the loss of or failure to obtain or renew any or all of these permits, licenses, approvals and/or qualifications may materially and adversely affect our business, financial condition and results of operations.

Our business operations and project construction activities require a range of permits, licenses, approvals and qualifications, which are subject to renewal and compliance obligations. Any lapse in securing, updating or retaining these essential permits, licenses, approvals or qualifications may lead to operational interruptions, increased costs, contractual breaches and potential legal liabilities, materially disrupting our business operations. Additionally, non-compliance with regulatory requirements can result in fines, penalties or other sanctions, further impacting our financial condition.

As confirmed by our PRC Legal Advisor, as of the Latest Practicable Date, we had obtained all the licenses and made all the filings with competent government authorities in all material aspects that are essential to the operation of our business in China. See "Business — Licenses, Permits and Approvals." However, there is no assurance that we can successfully update or renew our licenses or complete the filings required for our business promptly or secure new approvals for evolving business needs. Considerable uncertainties exist regarding the interpretation and implementation of existing and future laws, regulations and policies governing our business activities, and procedural delays or evolving documentation standards could hinder our timely compliance. A failure to align with all regulatory requirements to complete, obtain or maintain any of the required licenses or approvals or make the necessary filings in jurisdictions where we operate our business may expose us to various penalties such as confiscation of revenues generated, the imposition of fines and/or discontinuation or restriction of our operations. Any such penalties may disrupt our business operations and materially and adversely affect our business, results of operations and financial conditions.

Our insurance coverage may be insufficient to cover all of our potential losses.

We maintain various insurance policies including property all-risk insurance and machinery breakdown insurance. While we believe that the amount of our insurance is in line with the customary standard in the industry and is adequate for our operations, there is no assurance that our coverage will be sufficient to fully compensate for such losses we may suffer in the future, as certain types of risks may fall outside the scope of policies or exceed compensation thresholds. Any uninsured occurrence of unforeseen events or circumstances, including business disruption, legal disputes or natural disaster, could result in claims surpassing our insurance coverage. In such cases, we may be required to bear substantial financial burdens, which could adversely affect our business, financial condition and results of operations. In addition, there can be no assurance that we will be able to successfully claim for losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or there is any significant shortfall between compensation received and actual losses incurred, our business, financial condition and prospects could be materially and adversely affected.

Any interference to our right to use the premises where our sites, facilities or structures are located may negatively impact our business and results of operations.

We may be required to relocate or dismantle certain sites, facilities or structures if we fail to obtain valid title certificates for the underlying land parcels or the structures erected thereon, or if we lack legally binding property lease agreements or other contractual rights to occupy the premises. Furthermore, in situations where our landowners may have defects as to the land's title, our use of these buildings may be invalid or subject to third-party claims or disputes. See "Business — Properties."

In addition, we may from time to time encounter disputes or disagreements with landlords or local government authorities regarding lease terms, permitted land use or access rights. Such disputes may disrupt our ability to operate or maintain access to our sites. There is also a risk that landowners may choose not to renew our leases, revoke access or transfer their interests to third parties. In some cases, they may lose their legal rights to the land or premises, or exercise their right to re-enter the property, which could prevent us from renewing leases on commercially viable terms. Any interference with our rights to use these properties, whether due to legal title issues, failure of lease renewal or third-party claims could adversely affect our ability to maintain stable operations. Such disruptions may have a material and negative impact on our business, financial condition and results of operations.

We may from time to time become party to litigation, other legal and contractual disputes, claims and administrative proceedings that may materially and adversely affect our business and reputation.

We may be involved in litigation, legal and contractual disputes, claims and administrative proceedings from time to time. These legal matters can arise from various aspects of our business operations, including contractual disagreements, regulatory compliance issues, intellectual property disputes and employment-related matters. Such proceedings carry inherent uncertainty, and unfavorable outcomes including monetary damages, injunctive relief or settlement could impose significant substantial financial obligations, increased operational expenses or diversion of management resources. Additionally, these actions could expose us to negative publicity, which may harm our reputation and negatively impact customer and investor confidence. In addition, any litigation or legal proceedings could incur substantial legal expenses. Failure to effectively manage or resolve these matters in a timely manner could materially disrupt business continuity, strain our financial resources and adversely impact our operational and financial performance.

Insufficient intellectual property protection may reduce our competitive advantage and lead to conflicts that adversely affect our business, financial condition and results of operations.

Our success depends substantially on our ability to obtain patents and other intellectual property rights to maintain adequate legal protection for our core technologies in the jurisdiction where we sell our products. We employ a combination of patents, trademarks, domain names and other intellectual property protections in jurisdictions where we operate. We also rely on fair trade practices, contractual agreements and confidentiality arrangements to establish and protect our essential technologies and other intellectual property rights.

However, these laws and protection efforts and arrangements we make may only offer limited coverage, and any of our intellectual property rights may be challenged, invalidated, circumvented, infringed or misappropriated. Inadequate protection could allow other companies to produce counterfeit products or impersonate our commercial identity, diminishing our competitive advantage and damaging our reputation and business. In the event that we resort to litigation to protect our intellectual property rights, such legal proceedings could be financially onerous and time consuming, with no assurance of prevailing. Moreover, any claims that we assert against perceived infringers could also prompt these parties to assert counterclaims against us alleging that we have infringed their intellectual property rights. It is possible that our current and potential competitors have the ability to dedicate substantially greater resources to enforce and/or defend their intellectual property rights than we do. Accordingly, despite our best efforts, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property. An adverse result in any litigation proceeding could put our intellectual properties at risk of being invalidated, held unenforceable or interpreted narrowly. Even if we do prevail, we may not obtain a meaningful recovery.

Furthermore, third parties may raise similar claims before administrative bodies in China or abroad, even outside the context of litigation. Such proceedings could result in revocation or amendment of our intellectual properties in such a way that they no longer cover and protect our solutions. The outcome following such challenges remains inherently unpredictable.

We are in the process of registering certain intellectual property rights but there can be no assurance that these intellectual property applications will be approved in a timely manner or at all. We may also have insufficient intellectual property rights in some of countries and regions where we operate. Any failure to obtain, maintain, protect and enforce our patents, trademarks and other intellectual property rights could materially and adversely affect our business, financial condition and results of operations.

We could face claims of intellectual property infringement or misappropriation from third parties, which, if determined against us, could potentially result in significant damages and hamper sales.

Some of our competitors maintain large intellectual property portfolios and may allege that our anticipated commercial use of certain technologies has infringed or misappropriated their intellectual properties, particularly during the application process for registration with government authorities. These intellectual properties have broad claims, and it might be alleged that certain features of our technologies fall within the claims of such intellectual properties. Regardless of their merits, these claims or legal proceedings could be time-consuming and resource-intensive. Competitors may also use intellectual property litigation strategically to gain a competitive advantage. Determining whether technology infringes on intellectual property rights involves a comprehensive analysis of legal and factual issues, and the outcome is often uncertain. Despite our efforts to identify and avoid infringing on third parties' intellectual property rights, we may not always be successful. Any claims of patent or other intellectual property infringement, regardless of merit, could harm our operational abilities, including:

- Requiring significant time and financial resources to defend against claims or negotiate settlements;

- Exposing us to liabilities such as significant licensing fees, legal fees, substantial damages to third parties and other expenses;

- Preventing us from implementing technologies that are subject to the disputed intellectual property;

- Forcing us to redesign our products to avoid infringing or misappropriating such intellectual properties;

- Requiring us to enter into royalty or licensing agreements in order to obtain the right to use a third party's intellectual property where such agreements may not be available on commercially viable terms or at all;

- Diverting the attention of our management from business operations; or

- Generating negative publicity which could damage our reputation and customer relations, potentially leading to the termination, deferral or reduction of purchases of our products and solutions.

Any of the foregoing outcomes could result in invalidation or narrowing of our intellectual property rights, or the imposition of restrictive licensing terms, rendering our intellectual property portfolio less competitive and consequently negatively impacting on our business, financial conditions, results of operations and prospects.

Fraudulent or illegal activities or other misconduct by our employees, customers, suppliers or other third parties may materially and adversely impact on our business, financial condition and results of operations.

Our business operations are vulnerable to negligence, fraud, embezzlement, corruption, bribery or other illegal activities and misconduct by our employees, customers, suppliers or other third parties. These activities can lead to significant financial losses, legal liabilities, fines and other penalties imposed by competent government authorities, as well as result in reputational damage. Additionally, misconduct by third parties can disrupt our supply chain, compromise the quality of our products and solutions and negatively impact on customer trust and satisfaction. Despite our efforts to implement robust internal controls and compliance measures to detect and prevent such activities, there is no guarantee that this measure will effectively prevent any occurrence of illegal activities by our employees, customers, suppliers or other third parties. Failure to detect and prevent violations of laws and regulations by our employees or collaborators in terms of the abovementioned illegal activities may damage our brand and reputation, exposing us to administrative or legal proceedings and penalties, potentially disrupting our supply chain. Consequently, fraudulent or illegal activities or other misconduct could materially and adversely affect our business, financial condition and results of operations.

We may not be able to maintain our profitability or realize revenue increase continuously, and our historic results of operations may not be indicative of our future performance.

Our revenue was RMB15,950.0 million, RMB14,676.3 million and RMB17,393.0 million in 2022, 2023 and 2024, respectively. Our gross profit increased by 1.4% from RMB1,912.2 million in 2022 to RMB1,939.2 million in 2023, and further increased by 18.7% to RMB2,302.3 million in 2024. While we experienced continuous profit growth during the Track Record Period, there can be no assurance that we will be able to maintain our product sales and our historic growth rate, or achieve a higher growth rate in the future. Our ability to maintain and improve business operations depends on successfully executing certain strategies in order to achieve our future plans, including:

- Achieving technological breakthroughs and effectively commercializing such innovations to market-ready products and solutions;

- Expanding and optimizing our sales network through broader sales channel integration;

- Scaling our manufacturing and/or service facilities to meet growing demand;

- Managing costs and operating expenses in anticipation of business expansion;

- Attracting and retaining qualified professionals and employees; and

- Addressing and responding to new market opportunities and challenges.

The success of carrying out the aforementioned strategies may significantly influence future performance. Any failure to address them could hinder our future success and adversely impact revenue and profitability.

Furthermore, while our historical operational results provide valuable insights into our past performance, they may not necessarily be indicative of our future growth and returns. Various factors, including changes in market conditions, shifts in customer preferences, technological advancements and competitive dynamics, can significantly impact business outcomes. Additionally, unforeseen events such as economic downturns, regulatory changes and disruptions in supply chains may alter our operational landscape. As a result, relying solely on historic data may not provide a comprehensive understanding of our future prospects.

We are subject to the risk of exposure to fair value changes for our financial assets at fair value through profit or loss ("FVTPL") and equity investments designated at fair value through other comprehensive income ("FVOCI") and valuation uncertainties due to the use of unobservable inputs.

The fair value of our financial assets at FVTPL and equity investments designated at FVOCI are estimated by using valuation techniques and on the basis of observable and unobservable inputs. As of December 2022, 2023 and 2024, we recorded financial assets at FVTPL of nil, RMB940.3 million and RMB1,092.1 million, respectively, representing our structured deposits, which is subject to the overall market conditions. As of December 2022, 2023 and 2024, we recorded equity investments designated at FVOCI of RMB3.8 million, RMB3.1 million and RMB3.6 million, respectively.

The valuation of these financial assets and equity instruments can be highly uncertain, especially when unobservable inputs are used in valuation models. These inputs may not accurately reflect actual market conditions or could be based on assumptions that may not materialize, leading to potential discrepancies between the recorded fair value and the price we might obtain in an actual transaction. We may also record other financial assets of which the fair value is determined with a higher level of judgment and/or is more susceptible to market conditions. Changes in financial assets at FVTPL or equity investments designated at FVOCI may cause volatility in or materially and adversely affect our period-to-period earnings, results of operations and financial performance.

Furthermore, we determine the fair value of level 3 financial instruments based on valuation techniques and assumptions of unobservable inputs. Fluctuations in these unobservable inputs can impact the fair value of these financial instruments. We use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs, with levels 1 and 2 relying on observable prices and inputs. However, instruments classified in level 3 of the hierarchy require significant inputs that are not observable. As of December 31, 2022, 2023 and 2024, our level 1 and level 2 financial assets in aggregate amounted to RMB47.2 million, RMB970.1 million and RMB1,113.9 million, respectively, representing approximately 92.6%, 99.7% and 99.7% of our total financial assets measured at fair value as of the same respective dates. As of December 31, 2022, 2023 and 2024, our level 3 financial assets were RMB3.8 million, RMB3.1 million and RMB3.6 million, respectively, representing approximately 7.4%, 0.3% and 0.3% of our total financial assets measured at fair value as of the same respective dates. For details of our significant unobservable inputs for financial instrument valuation and their sensitivity analysis, see Notes 2.3 and 43 of the Accountants' Report in Appendix I to this Document. The subjective nature of this judgment process and its inherent limitations can affect accuracy. Inaccurate judgment and estimation could adversely affect the fair value of relevant financial instruments, impacting our financial condition and results of operations.

We are subject to credit risk in respect of our trade and bills receivables.

Our trade and bills receivables represented the outstanding receivables from our customers during our ordinary course of business. We generally offered our customers a credit period of 60 to 180 days during the Track Record Period. We have trade and bills receivables (net of impairment) of RMB629.8 million, RMB435.4 million and RMB544.9 million as of December 31, 2022, 2023 and 2024, respectively, which represented our maximum exposure to credit risk in relation to trade receivables as of the respective dates. We had impairment loss on trade and bills receivables of RMB474.6 million, RMB443.5 million and RMB86.7 million in 2022, 2023 and 2024, respectively. If we cannot recover our trade and bills receivables in a timely manner, the turnover of our trade and bills receivables may be slow and increase our working capital requirements. Our trade and bills receivables turnover days were 23.9 days, 24.3 days and 15.6 days in 2022, 2023 and 2024, respectively. Our trade and bills receivable turnover days decreased from 24.3 days in 2023 to 15.6 days in 2024, primarily due to our enhanced efforts on trade and bill receivables recovery and management. See "Financial Information — Discussion of Selected Items from the Consolidated Statements of Financial Position — Trade and Bills Receivables."

We may not be able to collect all such receivables due to a variety of factors outside our control, such as adverse operating conditions or the financial situation of customers. Disputes that result from any default in payment by customers may be time-consuming and costly if we decide to claim for such payments. An increase in trade receivables may lead to liquidity risk, as we may have less cash available to fund our operations, invest in research and development, or pursue strategic opportunities, which could, in turn, impact our ability to maintain our competitive position. An increase in trade receivables turnover days may necessitate an increase in our provisions for impairment of trade receivables, which would directly affect our profitability. Furthermore, the market may perceive an increase in our trade receivables and turnover days as an indication of potential liquidity issues or declining creditworthiness among our customer base, which could adversely affect our business. We cannot guarantee the recoverability or predict the movement of our receivables. If we fail to receive payments from our customers on a timely basis, our business, liquidity and financial condition could be materially and adversely affected.

Prepayment arrangements with our suppliers for the procurement of raw materials expose us to the credit risks of such suppliers and may also significantly increase our costs and expenses, which could in turn materially and adversely affect us.

We made prepayments to suppliers, mainly to procure certain raw materials during the Track Record Period. We had advances to suppliers of RMB49.9 million, RMB64.4 million and RMB141.5 million as of December 31, 2022, 2023 and 2024, respectively. An increase in prepayment requirements could strain our liquidity, creating a mismatch between cash outflows for raw material procurement and the delayed collection of trade receivables. In addition, if we face material customer order cancellations, we may be unable to recover such prepayments in a timely manner, which may materially and adversely affect our business, financial conditions and results of operations.

If we are unable to fulfill our contracts, our results of operations and financial condition may be adversely affected.

As of December 2022, 2023 and 2024, we had contract liabilities of RMB1,515.3 million, RMB2,022.5 million and RMB970.8 million, respectively. Our contract liabilities primarily represent advance payments received from customers for sales of agricultural machinery. See "Financial Information — Discussion of Selected Items from the Consolidated Statements of Financial Position — Contract Liabilities." If we are unable to fulfill our contractual obligations under the contracts with customers, we may not be able to convert such contract liabilities into revenue. In such cases, customers may request refunds of the prepayments they have made, which could negatively impact our cash flow and overall financial condition. Moreover, failure to meet our contractual commitments could damage customer relationships, potentially leading to a loss of future business and adversely affecting our results of operations.

We have indebtedness and may incur additional indebtedness in the future, and may not be able to fully and timely repay our indebtedness.

We had lease liabilities of RMB12.3 million, RMB49.4 million and RMB60.7 million in 2022, 2023 and 2024, respectively, and had interest-bearing bank borrowings of nil, nil and RMB22.5 million in the same periods, respectively. We may incur additional indebtedness in the future and may not be able to generate sufficient cash to satisfy our existing and future debt obligations. Our indebtedness could materially and adversely affect our business, for example, by (i) increasing our vulnerability to downturns of general economic or industry conditions; (ii) limiting our flexibility in planning for, and reacting to, changes in our business or the industry in which we operate; (iii) placing us at a competitive disadvantage compared to our competitors with lower levels of indebtedness; (iv) limiting our ability to borrow additional funds; and (v) increasing our cost of additional financing.

Specifically, we entered into lease contracts for buildings used for our operations. In the event that we are unable to comply with restrictions and covenants imposed by the lease contract and our obligation to make lease payments, we may be obliged to pay interest on the overdue monies, and the landlord may recover, in addition and without prejudice to any other remedy available to the landlord, any sum payable by us. If any of the foregoing events occur, there can be no assurance that our assets and cash flow would be sufficient to repay all of our indebtedness, or that we would be able to obtain alternative financing on commercially reasonable terms or at all. As a result, our cash flow, the cash available for distributions, financial condition and results of operations may be materially and adversely affected.

We are subject to risks associated with off-balance sheet commitments.

We had certain off-balance sheet commitments in relation to our financial leasing services. Such arrangements are not reflected on our balance sheet but constitute contingent liabilities. Our outstanding guarantee balances as of December 31, 2022, 2023 and 2024 were RMB914.6 million, RMB1,254.1 million and RMB1,798.9 million, respectively. See "Financial Information — Contingent Liabilities." We are subject to credit risks associated with these off-balance sheet commitments. If we are required to fulfill these guarantees since the financial leasing service providers are unable recover payment from end users and distributors, our financial condition and results of operations may be materially and adversely affected.

Fluctuations in foreign exchange rates could adversely impact our financial performance.

Our financial performance is subject to risks associated with fluctuations in foreign exchange rates. As we continue to expand our international operations, we will become increasingly exposed to the effects of fluctuations in currency exchange rates. During the Track Record Period, most of our revenue was dominated by Renminbi, but there are also operations overseas that are generally settled in local functional currencies such as US dollars and Euros, then translated to Renminbi when preparing our consolidated financial statement. In 2022, 2023 and 2024, we recorded net foreign exchange gains of RMB11.6 million, RMB9.1 million and RMB13.7 million, respectively.

Because (i) we conduct some of our business in currencies other than Renminbi but report our operating results in Renminbi, and (ii) our [**REDACTED**] from the [**REDACTED**] will be denominated in Hong Kong dollars, we will continuously be exposed to currency exchange rate volatility, which can affect the value of our non-Renminbi denominated assets and liabilities, and could hinder our ability to accurately forecast and manage our financial results. Additionally, unfavorable exchange rate movements can increase the cost of exported goods and services, affecting the competitiveness of our products in international markets. We are not able to predict how market forces or government policies may impact the exchange rate between Renminbi and the Hong Kong dollar, U.S. dollar or other currencies in the future, nor guarantee that will not incur any net foreign exchange loss. Consequently, any fluctuation in the value of Renminbi relative to other currencies could affect our reported profitability and our financial condition and could obscure the trends of our operating results in a particular year.

The reduction, modification, delay or elimination of government subsidies and other economic incentives may lower our profitability and materially adversely impact on our business.

Our financial performance and market competitiveness have historically benefited from government subsidies and other economic incentives, including grants for certain research and development projects that we carried out and certain government-sponsored talent recruitment programs that we participated in, which benefited our business and financial performance. These subsidies and incentives help reduce operational costs, encourage innovation, recruit top talents and support market growth. In 2022, 2023 and 2024, we received government grants of RMB48.8 million, RMB51.4 million and RMB120.8 million, respectively. We also enjoy certain favorable tax treatments. In addition, demand for our intelligent agricultural machinery is closely related to subsidies and incentives such as the "Premium Machinery, Premium Subsidies (優機優補)" policy provided directly to end-users, which reduces purchasing barriers and stimulates market adoption of advanced intelligent agricultural machinery.

As such, any reduction, modification, delay or elimination of government support or change in tax laws can adversely affect our financial condition. Changes in policy or budget allocations may lead to increased cost of sales, weakening pricing competitiveness and suppressing market demand for our products and solutions. There is no assurance that existing subsidies or tax benefits will persist, nor can we guarantee that we will qualify for future support. Discontinuation or scaling back of the implemented subsidy programs could strain our profitability, which could subsequently materially impair our business, financial condition and results of operations.

Failure to comply with PRC regulations regarding contributions to social insurance and the housing provident fund may subject us to fines and other legal or administrative sanctions.

Pursuant to PRC laws and regulations, we are required to participate in the employee social welfare plan administered by local governments. Such a plan consists of pension insurance, medical insurance, work-related injury insurance, maternity insurance, unemployment insurance and housing provident. The amount we are required to contribute to each of our employees under such a plan should be calculated based on the employee's actual salary level of the previous year, and be subject to a minimum and maximum level as from time to time prescribed by local authorities.

As advised by our PRC Legal Advisers, (i) with respect to an employer's failure to pay social insurance contributions in full as required, according to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), such employer may be ordered by the social security premium collection agency to pay the overdue amount and an overdue fine equivalent to 0.05% of the overdue amount per day calculated from the date such social insurance amount has become overdue within a prescribed time limit. The competent authority may further impose a fine of one to three times the overdue amount if such payment is not made within the stipulated period; (ii) with respect to the employer's failure to pay the full amount of housing provident fund as required, according to the Administrative Regulations on Housing Provident Funds (《住房公積金管理條例》), such employer may be ordered by the relevant housing provident fund authority to make payment of contributions within a prescribed time limit, and the competent authority may further apply to the court for compulsory enforcement if such payment is not made within the stipulated period.

During the Track Record Period, we did not pay social insurance and housing provident fund in full using actual wages as the contribution basis. As a result, we may be required by competent authorities to pay any outstanding amount, and could be subject to late payment penalties or an enforcement application made to the court. As of the Latest Practicable Date, we had not received any notice from the relevant authority in mainland China requiring us to pay shortfalls or imposing penalties related to social insurance and housing provident fund contributions. Our PRC legal advisor have advised us that the risk of us being fined for failing to make social insurance and the housing provident fund contributions in full amount on time is relatively low. However, we cannot assure you that such relevant authorities in mainland China would not notify and require us in the future to settle outstanding contributions within a prescribed timeframe. Should we fail to pay any outstanding contributions, we may be subject to a fine and/or an order from the relevant people's court to enforce such payment.

Force majeure events, natural disasters, epidemics, acts of war or terrorism or other factors beyond our control may materially and adversely affect our business, financial condition and results of operations.

Our business operations are subject to risks arising from force majeure events, natural disasters, epidemics, acts of war or terrorism and other factors beyond our control. These events can cause significant disruptions to our supply chain, production processes and overall business activities. Natural disasters such as earthquakes, floods and hurricanes can damage our infrastructure and facilities, leading to operational delays and increased costs. Epidemics and pandemics can impact workforce availability, disrupt logistics and reduce customer demand. Acts of war or terrorism can create geopolitical instability, affecting market conditions and business confidence. Additionally, other unforeseen events beyond our control may pose challenges to our operations. We cannot foresee these unpredictable and uncontrollable factors, and consequently, our business, financial condition and results of operations may be materially and adversely affected.

RISKS RELATING TO DOING BUSINESS IN THE JURISDICTIONS WHERE WE OPERATE

Inability to adapt to evolving economic, political or social conditions, or changes in government policies in the regions where we operate, may adversely impact our business, financial condition and results of operation.

Our business, financial condition and document may be influenced by the general political, economic, social and legal conditions in the country in which we operate. Given that the majority of our business, assets and operations are located in China, we remain particularly exposed to the evolving regulatory landscape and macroeconomic conditions within the PRC. The PRC government regulates the economy and industries by imposing industrial policies and regulating the PRC's macro economy through fiscal and monetary policies. Over the last few decades, the PRC government has taken various actions to promote the market economy and to establish sound corporate governance in business entities. Through strategically allocating resources, controlling the payment of foreign currency denominated obligations, setting monetary policy and providing governmental policy support to particular industries or companies, it also exerts significant influence over China's economic growth.

Our performance has been, and will continue to be fundamentally interconnected with China's economy, which in turn, is influenced by the global economy. The uncertainties relating to the global economy as well as the political environment in various regions of the world will continue to impact China's economic growth. In addition, while China's economy has experienced significant growth in the past few decades, the growth of China's economy has been uneven across different regions and economic sectors. We are unable to predict all the risks and uncertainties that we face as a result of current economic, political, social and regulatory developments, which are generally beyond our control. All such factors may materially and adversely affect our business and operations as well as our financial performance. Failure to promptly align our operations with these evolving circumstances could negatively affect our business performance, financial condition and overall results of operations. While we proactively implement strategic measures to manage these risks, there can be no assurance that such efforts will be successful in providing protection against potential adverse outcomes in all circumstances.

We may be subject to filing procedures and other regulatory requirements in connection with this [REDACTED] and further capital raising activities issued by competent authorities.

In connection with this [**REDACTED**] and any future capital raising activities, we may be subject to filing obligations, procedural requirements and regulatory oversights by competent authorities. On February 17, 2023, the CSRC issued the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) along with their implementation guidelines (the "Overseas Listing Trial Measures"). These measures, which came into effect on March 31, 2023, outline the scope of activities subject to the filing requirement, the responsible entities and the procedural steps for overseas listings. See "Regulatory Overview — VIII." Under the Overseas Listing Trial Measures, we are required to file with the CSRC following the submission of our [**REDACTED**] application. However, there is uncertainty as to whether we will be able to complete the filing procedures or obtain approval for this [**REDACTED**] in a timely manner or at all. If a domestic company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties, such as an order to rectify, warnings and/or fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines. In addition, such failure may restrict our ability to complete the proposed [**REDACTED**] and to finance the development of our business and may have a material and adverse effect on our business, financial condition and prospects.

On February 24, 2023, the CSRC, the MOF, the National Administration of State Secrets Protection of China, and the National Archives Administration of China published the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "**Archives Rules**"), which came into effect on March 31, 2023. The Archives Rules require that, in relation to the overseas securities offering and listing activities of domestic enterprises, either in direct or indirect form, such domestic enterprises, as well as securities companies and securities service institutions providing relevant securities services, are required to strictly comply with relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system and take necessary measures to implement their confidentiality and archives management responsibilities. Any failure to comply with the Archives Rules may expose us to regulatory sanctions, operational disruptions or reputational harm, which may materially and adversely affect our business, financial condition and prospects.

We are closely monitoring the potential operational and financing impacts of these regulations. In addition, if the CSRC or other PRC regulatory authorities in the future promulgate new rules or explanations imposing further requirements that we obtain their approvals or complete the required filing or other regulatory procedures for this [**REDACTED**] or future capital raising activities, there can be no assurance that we will be able to obtain a waiver of such requirements, if and when procedures are established to obtain such a waiver. Any unforeseen situations or negative publicity regarding such approval, filing or other requirements could materially and adversely affect our business, financial condition, prospects and the [**REDACTED**] price of our Shares.

Your ability to initiate legal proceedings or enforce foreign judgments against us, our Directors and senior management may be limited.

We are a company incorporated under the laws of the PRC, with substantially all of our business, assets and operations located in China. Additionally, the majority of our Directors and executive officers reside in China, and most of their assets are also located in China. Consequently, you may face challenges in effecting service of process upon us or our Directors or executive officers residing in China, particularly in matters arising under U.S. federal securities laws or applicable state securities laws. According to the Arrangements for Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Cases between Courts of the Mainland and Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**Arrangements**"), effective January 29, 2024, promulgated by the Supreme People's Court, a party with an enforceable final court judgment rendered by any designated people's court of China or any designated Hong Kong court in civil and commercial cases, excluding certain types, may apply for recognition and enforcement of the judgment in the relevant people's court of China or Hong Kong. However, we cannot guarantee that all judgments made by Hong Kong courts will be recognized and enforceable in the PRC, as such specific judgment will still be subject to a case-by-case examination by the relevant court in accordance with the Arrangements to decide whether it is enforceable.

According to the Civil Procedure Law of the PRC and other applicable laws, regulations and interpretations, a court judgment obtained outside mainland China may be recognized and enforced, provided there are treaties in place for the reciprocal enforcement of judgments between China and the country where the judgment was rendered. China has not entered treaties for the reciprocal recognition and enforcement of court judgments with the United States, the United Kingdom, Japan and many other countries. Therefore, you may fail to enforce in courts in mainland China the judgment obtained in the courts of the aforementioned jurisdictions against us or our Directors or senior management.

Certain of our foreign exchange transactions are subject to regulatory requirements over foreign currency conversion.

The conversion and remittance of our operating cash is governed by specific foreign exchange authorities with specific laws and regulations. As a substantial amount of our revenue is generated in Renminbi, we may need to convert a portion of our Renminbi into other currencies for the purpose of business operations, capital investment and other operational expenditures. Under existing regulations, such foreign exchange conversions remain subject to stringent controls. While payment of current account items, including profit distributions and trade-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE or its local branches under the current foreign exchange regulations in mainland China, prior registration and other procedures with the relevant government authorities will be required before converting Renminbi into foreign currency and remitting it out of the PRC to cover capital expenses. Under the current regulatory requirement, there is no assurance that we may be able to convert enough foreign currency for our business operations. A shortage of available foreign currency could limit our ability to fulfill our foreign currency-dominated obligations, such as paying dividends to our Shareholders. Additionally, non-compliance with applicable foreign exchange regulations could result in administrative penalties and fines, adversely affecting our business and reputation.

We also need to make certain dividend payments to holders of our Shares following the [**REDACTED**]. Under the Chinese existing foreign exchange regulations, following the completion of the [**REDACTED**], we will be able to pay dividends in foreign currencies without prior approval from SAFE or its local branches by complying with certain procedural requirements. However, the Chinese government may take measures at its discretion in the future to restrict access to foreign currencies for current account transactions if foreign currencies become scarce in China. We may not be able to pay dividends in foreign currencies to our Shareholders if the Chinese government restricts access to foreign currencies for current account transactions. Foreign exchange transactions under our capital account continue to be subject to significant foreign exchange controls and require registration with the bank. These limitations could affect our ability to obtain foreign exchange through equity financing, or to obtain foreign exchange for capital expenditures.

Holders of our Shares may be subject to PRC income tax obligations.

Under current tax laws and regulations in China, non-Chinese resident individuals and non-Chinese resident enterprises are subject to different tax obligations with respect to dividends paid to them by us and gains realized upon the sale or other disposition of our H shares.

For non-Chinese resident enterprises, according to the EIT Law, its implementation rules and the Notice on the Issues concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas Non-resident Enterprises (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han No. 897) (國稅函897號), issued by the SAT on November 6, 2008, PRC withholding tax generally applies at a rate of 10% to dividends from PRC sources payable to investors that are non-Chinese resident enterprises. This applies to those who do not have an establishment or place of business in the PRC, or whose relevant income is not effectively connected with their establishment or place of business, unless a treaty or similar arrangement provides otherwise. Additionally, any gains realized on the transfer of shares by such investors is subject to a 10% PRC income tax if the gain is considered to be income derived from sources within the PRC.

For non-Chinese resident individuals, according to the PRC Individual Income Tax law (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are subject to a PRC withholding tax at a rate of 20%. Additionally, gains from PRC sources realized by such investors on the transfer of shares are typically subject to PRC income tax at a rate of 20% for individuals, in each case, subject to any reduction or exemption set forth in applicable tax treaties and laws in mainland China. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) (國稅函[2011]348號) dated June 28, 2011, issued by the SAT, dividends paid to non-mainland China resident individual holders of H Shares are generally subject to the individual income tax of mainland China at the withholding tax rate of 10%, in which the non-mainland China resident individual holder of H Shares resides as well as the tax arrangement between mainland China and Hong Kong. Non-mainland China resident individual holders who reside in jurisdictions that have not entered into tax treaties with mainland China are subject to a 20% withholding tax on dividends received from us. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF of mainland China and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. In addition, on December 31, 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知) (Cai Shui [2009] No. 167) (財稅[2009]167號) which states that individuals' income from the transfer of listed shares on certain domestic exchanges shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restrictions as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of the Listed Shares Subject to Sales Limitations (《關於個人轉讓上市公司限購所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70) (財稅[2010]70號). As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-mainland China resident individuals on the sale of shares of mainland China resident enterprises listed on overseas stock exchanges.

If mainland China income tax is imposed on gains realized from the transfer of our H Shares or on dividends paid to our non-mainland China resident investors, the value of your investment in our H Shares may be affected. Furthermore, our Shareholders whose jurisdictions or residence have tax treaties or arrangements with mainland China may not qualify for benefits under such tax treaties or arrangements.

Policies on foreign investment in the PRC may adversely affect our business and results of operations.

Foreign investment activities in China are governed by specific regulatory frameworks that impose restrictions on the participating industry and additional verification procedures by certain authorities. The Special Management Measure (Negative List) for Foreign Investment Access (2024 Edition) (the "**Negative List**"), jointly issued by the NDRC and the MOFCOM, outlines prohibited sectors and restrictive conditions for foreign investors, including equity and management participation. The Negative List covers 11 industries, while sectors not included in the Negative List shall be administered under the principle of equal treatment for both domestic and foreign entities. As of the Latest Practicable Date, except for value-added telecommunications services, our operations in China do not fall within the scope of the Negative List. Nevertheless, the prohibition of foreign investment in designated industries under this framework may constrain our ability to enter into these restricted sectors in the future.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our Shares and the liquidity and market price of our H Shares may be volatile.

There was no public market for our H Shares prior to the [**REDACTED**]. We cannot guarantee that a public market with adequate liquidity and trading volume for our H Shares will develop and be sustained after the [**REDACTED**]. Additionally, the [**REDACTED**] of our H Shares is expected to be fixed by agreement between the [**REDACTED**] (for themselves and on behalf of the [**REDACTED**]) and us, which may not reflect the market price of our H Shares after the [**REDACTED**]. If an active public market for our H Shares does not develop post-[**REDACTED**], the market price and liquidity of our H Shares may be materially and adversely affected.

The liquidity, trading volume and market price of our H Shares following the [REDACTED] may be volatile, which could result in substantial losses to you.

The price and [**REDACTED**] volume of our H Shares may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of securities in Hong Kong and elsewhere in the world. The Hong Kong Stock Exchange and other securities markets have, from time to time, experienced significant price and [**REDACTED**] volume volatility that are not related to the operating performance of any particular company. The business and performance and the market price of the shares of other companies engaging in similar fields may also affect the price and [**REDACTED**] volume of our H Shares. In addition to market and industry factors, the price and [**REDACTED**] volume of our H Shares may be highly volatile for specific business reasons, such as fluctuations in our revenue, earnings, cash flows, investments, expenditures, regulatory developments, relationships with our suppliers, movements or activities of key personnel, or actions taken by competitors. Moreover, shares of other companies listed on the Hong Kong Stock Exchange have experienced price volatility in the past, and it is possible that our H Shares may be subject to changes in price not directly related to our performance.

You will incur immediate and significant dilution and may experience further dilution in the future.

The [**REDACTED**] of the [**REDACTED**] is higher than the net tangible asset value per H Share immediately prior to the [**REDACTED**]. Therefore, purchases of the [**REDACTED**] in the [**REDACTED**] will experience an immediate dilution in [**REDACTED**] consolidated net tangible asset value. If we issue additional H Shares or other securities in the future for consideration of our business, your shares may be further diluted.

Our Controlling Shareholders' interests may not be aligned with the interests of our other Shareholders.

Our Controlling Shareholders have substantial influence over our business, including matters relating to our management, policies and decisions regarding mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of Directors and other significant corporate actions. This concentration of ownership may discourage, delay, or prevent a change in control of our Company, potentially depriving other shareholders of the opportunity to receive a premium for their Shares in the event of a sale. It could also potentially lower the price of our Shares. These circumstances may occur even if opposed by other shareholders. Additionally, the interests of our Controlling Shareholders may differ from those of our other shareholders. It is possible that our Controlling Shareholders may use their significant influence to engage in transactions or make decisions that conflict with the best interests of other shareholders.

We cannot assure you that we will declare and distribute any number of dividends in the future. If we do not pay dividends in the foreseeable future after the [REDACTED], you must rely on price appreciation of our Shares for a return on your investment.

Our historic dividends may not be indicative of our future dividend policy, and there can be no assurance that future dividends will be declared or paid. We cannot guarantee when and in what form dividends will be paid on our Shares following the [**REDACTED**]. Under the applicable laws and regulations in the PRC, the payment of dividends may be subject to certain limitations. Any future determination to pay dividends will be at our discretion and may be based on several factors, including future operations and earnings, capital requirements and surplus, general financial condition, regulatory and contractual restrictions and other factors we deem relevant. We may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable.

Future sales or perceived sales of a substantial amount of our Shares in the public market, especially by our Controlling Shareholders, could materially and adversely affect the prevailing market price of our Shares.

The future sale of a substantial number of our H Shares, particularly by our Controlling Shareholders, or even the perception or anticipation of such sales, could adversely affect the market price of our H Shares and our ability to raise equity capital at a favorable time and price. Pursuant to the applicable PRC law, within the 12 months following the [**REDACTED**], all existing Shareholders cannot dispose of any of the Shares held by them. Although we currently have no indication that our Controlling Shareholders intend to sell significant amounts of their Shares once the lock-up periods expire, we cannot guarantee that they will not sell any Shares they currently own or may acquire in the future.

Since there will be a time gap of several days between the pricing and [REDACTED] of our H Shares, holders of our H Shares are subject to the risk that the price of our Shares could decline before [REDACTED] in our H Shares on the Hong Kong Stock Exchange commences.

The [**REDACTED**] of our H Shares is expected to be determined on the [**REDACTED**] Date. However, our H Shares will not commence [**REDACTED**] on the Hong Kong Stock Exchange until they are delivered, which is anticipated to be two business days after the [**REDACTED**] Date. As a result, investors may not be able to sell or otherwise [**REDACTED**] our H Shares during this period. Consequently, holders of our H Shares are subject to the risk that the price of our H Shares could decline before [**REDACTED**] begins due to adverse market conditions or other negative developments that may occur between the time of sale and the commencement of [**REDACTED**].

Forward-looking information in this document is subject to risks and uncertainties.

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

There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various independent third-party sources, including the industry report, contained in this document.

Certain facts, forecasts and statistics in this document, particularly in the section titled "Industry Overview", related to the PRC, the global economy and the industry in which we operate, are sourced from publicly available sources that we believe to be reliable. However, we cannot guarantee the quality or reliability of these sources. We believe that the sources of the information are appropriate and have taken reasonable care in extracting and reproducing such information. We do not believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by our Group, the Sole Sponsor, or any other party involved in the [**REDACTED**], and no representation is made as to its accuracy or completeness. Due to potentially flawed or ineffective sampling, discrepancies between published information and market practice and other issues, the statistics in this document related to the PRC, the global economy and the industry in which we operate may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. Moreover, these facts, forecasts and statistics involve risks and uncertainties and are subject to change based on various factors. You should consider the weight and importance of such facts or statistics and should not place undue reliance on them.

You should read the entire document carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the [REDACTED].

The [**REDACTED**] is based solely on the information and representations contained in this document, which we believe to be true and accurate to the best of our knowledge. Any information not included in this document should not be relied upon when making an investment decision regarding securities being [**REDACTED**]. Prior to the publication of this document, media coverage about us and the [**REDACTED**] may have included financial information, projections, valuations and other forward-looking statements. You should be aware that third-party sources may have used outdated, incomplete or inaccurate information, and their opinions may not be independent or objective due to potential conflicts of interest. Media coverage of our Company and the [**REDACTED**] may be influenced by various factors, including individual journalist biases, media outlet preferences and advertiser demands. We do not make any representation regarding the appropriateness, accuracy, completeness or reliability of any projections, valuations or other forward-looking information about us. If such statements are inconsistent with or conflict with the information contained in this document, we disclaim responsibility for them. By applying to purchase our H Shares in the [**REDACTED**], you agree that you will not rely on any information other than that contained in this document and any formal announcements made by us in Hong Kong with respect to the [**REDACTED**].

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

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have sufficient management presence in Hong Kong, which normally means that at least two executive directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 may be waived by having regard to, among other considerations, the applicant's arrangements for maintaining regular communications with the Hong Kong Stock Exchange.

Given that (i) our core business operations are principally located, managed and conducted in the PRC under the supervision of executive Directors and senior management; and (ii) our executive Directors and senior management principally reside in the PRC, our Company considers that it would be more practical for the executive Directors and senior management of our Company to remain ordinarily resident in the PRC where our Group has substantial operations. For the above reasons, we do not have, and do not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted us], a waiver from strict compliance with Rule 8.12 of the Listing Rules. We will ensure that there are adequate and efficient arrangements to achieve regular and effective communication between us and the Stock Exchange as well as compliance with the Listing Rules by way of the following arrangements:

(a) we have appointed Mr. Wang Junwei and Ms. Tsui Ka Yan as the authorized representatives (the "**Authorized Representatives**") for the purpose of Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Hong Kong Stock Exchange and would be readily contactable by phone, facsimile and email to deal promptly with enquiries from the Hong Kong Stock Exchange. The Authorized Representatives will be available to meet with the Hong Kong Stock Exchange to discuss any matters on short notice;

(b) to facilitate communication with the Stock Exchange, we have provided the Authorized Representatives and the Stock Exchange with the contact details of our Directors (i.e. mobile phone number, office phone number, email address and fax number (as applicable)). In the event that any of our Director expects to travel or otherwise be out of office, he or she will provide the phone number of the place of his/her accommodation to the Authorized Representatives, so that the Authorized Representatives would be able to contact all our Directors (including the independent non-executive Directors) promptly at all times if and when the Hong Kong Stock Exchange wishes to contact our Directors. To the best of our knowledge and information, each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period after requested by the Stock Exchange; and

(c) we have appointed Rainbow Capital (HK) Limited as our compliance adviser (the "**Compliance Adviser**") in compliance with Rules 3A.19 and 19A.05 of the Listing Rules. The Compliance Adviser will, among other things and in addition to the Authorized Representatives, provide us with professional advice on continuing obligations under the Listing Rules and act as additional channel of communication of our Company with the Stock Exchange during the period from the [**REDACTED**] to the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year immediately after the [**REDACTED**]. The Compliance Adviser will be available to answer enquiries from the Stock Exchange and will act as an additional channel of communication with the Stock Exchange when the Authorized Representatives are not available.

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Rule 8.17 of the Listing Rules provides that our Company must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, our Company must appoint an individual, who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

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

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

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

In addition, pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing "relevant experience", the Stock Exchange will consider the individual's:

(a) length of employment with the issuer and other issuers and the roles they played;

(b) familiarity with the Listing Rules and other relevant laws and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

We have appointed Mr. Wang Junwei ("**Mr. Wang**") as one of the joint company secretaries of our Company. Mr. Wang currently severs as an executive Director, chief financial officer and secretary of the Board of our Company and has substantial experience in handling corporate, legal and regulatory compliance and administrative matters but does not process any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, our Company has appointed Ms. Tsui Ka Yan ("**Ms. Tsui**"), who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as one of our joint company secretaries and to provide assistance to Mr. Wang for an initial period of three years from the [**REDACTED**] to enable Mr. Wang to acquire the "relevant experience" under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules. See "Directors and Senior Management" in this document for further biographical details of Mr. Wang and Ms. Tsui. The following arrangements have been, or will be, put in place to assist Mr. Wang in acquiring the qualifications and experience as the company secretary of our Company required under Rule 3.28 of the Listing Rules:

(a) Mr. Wang will endeavor to attend relevant training courses, including briefings on the latest changes to the relevant applicable Hong Kong laws and regulations and the Listing Rules which will be organized by our Company's Hong Kong legal advisers on an invitation basis and seminars organized by the Stock Exchange for [**REDACTED**] from time to time;

(b) Both Mr. Wang and Ms. Tsui have confirmed that each of them will be attending a total of no less than 15 hours of training courses on the Listing Rules, corporate governance, information disclosure, investors relation as well as the functions and duties of the company secretary of a Hong Kong [**REDACTED**] during each financial year as required under Rule 3.29 of the Listing Rules;

(c) Ms. Tsui will assist Mr. Wang to enable him to acquire the relevant experience (as required under Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as the company secretary of our Company;

(d) Mr. Wang will communicate regularly with Ms. Tsui on matters relating to corporate governance, the Listing Rules and any other laws and regulations which are relevant to our Company and its affairs. Ms. Tsui will work closely with, and provide assistance to, Mr. Wang in the discharge of her/his duties as a company secretary, including organizing our Company's Board meetings and Shareholders' general meetings;

(e) Prior to the expiry of Mr. Wang's initial term of appointment as the company secretary of our Company, we will evaluate his experience in order to determine if he has acquired the qualifications required under Rules 3.28 of the Listing Rules, and whether on-going assistance should be arranged so that Mr. Wang's appointment as the company secretary of our Company continues to satisfy the requirements under Rules 3.28 and 8.17 of the Listing Rules; and

(f) The Company has appointed Rainbow Capital (HK) Limited as its Compliance Adviser pursuant to Rules 3A.19 of and 19A.05 the Listing Rules which will act as the additional communication channel with the Stock Exchange (for a period commencing on the [**REDACTED**] and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year after the [**REDACTED**], or until the engagement is terminated, whichever is earlier) and provide professional guidance and advice to the Company as to the compliance with the Listing Rules and all other applicable laws and regulations.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules. Such waiver will be revoked immediately if and when (i) Mr. Wang ceases to be assisted by a person with qualifications under Rules 3.28 and 8.17 of the Listing Rules, or (ii) if there are material breaches of the Listing Rules by us. We will liaise with the Stock Exchange before the end of the three-year period to enable it to assess whether Mr. Wang, having had the benefit of Ms. Tsui's assistance for three years, will have acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions for the Company under the Listing Rules after [**REDACTED**]. We have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions. For more information, see "Connected Transactions."

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

For further information on our Directors, see "Directors and Senior Management" of this document.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Wang Guimin (王桂民)	Room 201, Unit 2, Building 7, Lovol Garden 3344 Longquan Street, Fangzi District Weifang, Shandong Province PRC	Chinese
Mr. Wang Jian (王健)	No. 26 Minsheng East Street Kuiwen District Weifang, Shandong Province PRC	Chinese
Mr. Wang Junwei (王俊偉)	Room 301, Unit 3, Building 8 5 Bus Station North Valley Kuiwen District Weifang, Shandong Province PRC	Chinese
Mr. Liu Pengfei (劉鵬飛)	Room 101, Unit 1, Building 2 3899 Dongfeng East Street Kuiwen District Weifang, Shandong Province PRC	Chinese
Non-executive Directors		
Mr. Wang Decheng (王德成)	Room 602, Unit 2, Building 2 1515 Jinma Road, High-tech Zone Weifang, Shandong Province PRC	Chinese
Mr. Sun Chenglong (孫成龍)	Room 1102, Unit 3, Building 5 Chengshi Zhuren Community Lixia District Jinan, Shandong Province PRC	Chinese

Name	Address	Nationality
Independent non-executive Directors		
Ms. Yang Minli (楊敏麗)	Room 1701, 7th Floor, Jingshuyuan Higher Education Dormitory Haidian District, Beijing PRC	Chinese
Mr. Huang Botao (黃波濤)	No. 57 Xuanwumen West Street Xicheng District, Beijing PRC	Chinese
Mr. Zhang Yuanfu (張元福)	12 Floor Flat A, Block 8, the Leighton Hill 2B Broadwood Road Happy Valley Hong Kong	Chinese (Hong Kong)

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor	**China International Capital Corporation Hong Kong Securities Limited** 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong

[REDACTED]

Auditor and Reporting Accountants	**Ernst & Young** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 27/F, One Taikoo Place 979 King's Road Quarry Bay Hong Kong
Legal Advisers to the Company	*As to Hong Kong and United States laws:* **Clifford Chance** 27/F, Jardine House One Connaught Place Central Hong Kong *As to PRC laws:* **Commerce & Finance Law Offices** 12-15/F China World Office Building 2 1 Jianguomenwai Avenue Chaoyang District, Beijing PRC

Legal Advisers to the Sole Sponsor and the [REDACTED]	*As to Hong Kong and United States laws:* **Baker & McKenzie** 14th Floor, One Taikoo Place 979 King's Road Quarry Bay Hong Kong *As to PRC laws:* **King & Wood Mallesons** 20th Floor, East Tower, World Financial Center No. 1 Dongsanhuan Zhonglu Chaoyang District Beijing, PRC
Industry Consultant	**Frost & Sullivan (Beijing) Inc.** Unit 2401-02, Level 24 China World Office 2 1 Jianguomenwai Avenue Chaoyang District Beijing, PRC
Compliance Adviser	**Rainbow Capital (HK) Limited** Room 710, 7/F, Wing On House 71 Des Voeux Road Central Hong Kong

[**REDACTED**]

Registered Office	No. 192, Beihai South Road Fangzi District, Weifang Shandong Province, PRC
Head Office and Principal Place of Business in the PRC	No. 192, Beihai South Road Fangzi District, Weifang Shandong Province, PRC
Principal Place of Business in Hong Kong	31/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
Company's Website	www.lovol.com *(The information on the website does not form part of this document)*
Joint Company Secretaries	**Mr. Wang Junwei (王俊偉)** No. 192, Beihai South Road Fangzi District, Weifang Shandong Province, PRC **Ms. Tsui Ka Yan (崔嘉欣)** *(associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)* 31/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
Authorized Representatives	**Mr. Wang Junwei (王俊偉)** No. 192, Beihai South Road Fangzi District, Weifang Shandong Province, PRC **Ms. Tsui Ka Yan (崔嘉欣)** 31/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong

Audit and Risk Committee	Mr. Huang Botao *(Chairperson)* Mr. Sun Chenglong Mr. Zhang Yuanfu
Remuneration and Appraisal Committee	Ms. Yang Minli *(Chairperson)* Mr. Wang Decheng Mr. Huang Botao
Nomination Committee	Mr. Zhang Yuanfu *(Chairperson)* Mr. Wang Guimin Ms. Yang Minli
Strategy and Investment Committee	Mr. Wang Guimin *(Chairperson)* Mr. Wang Decheng Mr. Wang Jian Mr. Sun Chenglong Ms. Yang Minli

[**REDACTED**]

Principal Banks	**Agricultural Bank of China, Weifang Fangzi Branch** 122 Fengzhong Street Fangzi District Weifang, Shandong Province PRC
	Industrial and Commercial Bank of China, Weifang Dongguan Branch 751 Weizhou Road, Dongguan Street Kuiwen District Weifang, Shandong Province PRC
	China Construction Bank, Weifang Fangzi Branch West Section of Fenghuang Street Fangzi District Weifang, Shandong Province PRC

The information and statistics set out in this section and other sections of this Document were extracted from the Frost & Sullivan Report prepared by Frost & Sullivan, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the [**REDACTED**]. *The information from official government sources has not been independently verified by us, the Sole Sponsor, the* [**REDACTED**] *or any of their respective directors and advisers, or any other persons or parties involved in the* [**REDACTED**], *and no representation is given as to its accuracy.*

SOURCE AND RELIABILITY OF INFORMATION

We engaged Frost & Sullivan, an independent market research consultant, to conduct an analysis of, and to prepare a report on, the global and China's intelligent agricultural machinery and smart agriculture industry for use in this Document (the "**Frost & Sullivan Report**"), which was commissioned by us for a fee of RMB450,000. In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan adopted the following assumptions: (i) the global social, economic and political conditions currently discussed will remain stable during the forecast period; (ii) government policies on the global and China's intelligent agricultural machinery and smart agriculture market will remain consistent during the forecast period; and (iii) the global and China's intelligent agricultural machinery and smart agriculture market will be driven by the factors which are stated in this report in the forecast period. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report. The Frost & Sullivan Report has been prepared by Frost & Sullivan independently without any influence from us or other interested parties.

Frost & Sullivan is an independent global consulting firm founded in 1961 in New York and its services include, among others, industry consulting, market strategic consulting and corporate training. Frost & Sullivan conducted (i) primary research, which involved discussing the status of the industry with certain leading industry participants, and interviews with industry experts on a best-efforts basis to collect information in aiding in-depth analysis; and (ii) secondary research, which involved reviewing company reports, independent research reports and data based on its own research database.

ANALYSIS OF GLOBAL AND CHINA'S INTELLIGENT AGRICULTURAL MACHINERY AND SMART AGRICULTURE INDUSTRY

Overview of Global and China's Agriculture Industry

The level of development of the global agricultural industry is uneven, food security still faces multiple challenges. It is necessary to continuously invest in technology in order to improve agricultural productivity. Intelligent agricultural machinery and smart agriculture have become the key solutions.

According to statistics, the total value of global agricultural output grew from RMB25.6 trillion in 2020 to RMB32.8 trillion in 2024, among which the developed countries contributed 67% of the incremental output value, and the problem of uneven development is prominent. At present, the global agricultural industry is facing the triple pressure of population growth, frequent occurrence of extreme weather events and tightening resource constraints, and food security is at stake with 920 million people around the world still in a state of serious food insecurity. The practice of Europe and the United States has shown that technological empowerment is the key to breaking the deadlock: the level of automation of agricultural machinery in the European Union has reached 72%, and the coverage of smart agricultural technology in the United States has exceeded 80%. In the future, the smart agricultural technology system based on intelligent agricultural machinery will be the key path to meet the challenge of food security.

China is currently entering a new phase of development from traditional agriculture to modern agriculture, with agricultural productivity and operation model facing profound changes and upgrades.

As a country with a population of 1.4 billion, China faces a serious imbalance between food demand and farmland resources. The huge population base has induced rigid food demand. Although the self-sufficiency rates for staple food such as wheat, corn and rice have exceeded 95%, as the room for expansion is constrained by the existing scale of farmland of 1.9 billion mu, the dependency rates of imported oil crops and fodder such as soybeans remained high at 80%. In 2024, the imbalance caused by such structural shortages was prominent, as China's grain production reached 710 million tonnes and total grain import reached 160 million tonnes. As the level of agricultural modernization in China still lags behind as compared to its industrialization, how to address the problem of "food security" has become a national strategic priority.

China's agricultural development faces acute challenges such as labor shortages and aging population. With the continuous decline in the number of agricultural workforce, the problem of "who to farm" is becoming increasingly prominent. From 2020 to 2024, China's total agricultural output grew from RMB7.2 trillion to RMB9.1 trillion, representing a CAGR of 6.3%. During the same period, China's urbanization rate rose from 63.9% to 67.0%, and is expected to reach 70% by 2030, the migration of young adult labor from rural areas to urban areas is accelerating. Coupled with the acceleration of aging population (with the proportion of people aged 65 and above in rural areas reached 18.7% in 2024), the number of agricultural workforce has plummeted from 180 million to 160 million. It is expected that the number of agricultural workforce will drop to 140 million by 2030 and may plummet to merely 30 million by 2050.

China's agricultural operation model still lags significantly behind that of developed countries in Europe and America. The development of large-scale farming entities, specialized agricultural service organizations, and specialized equipment and technologies remains relatively backward, and the development of scientific farming is in a bottleneck. In the developed countries in Europe and America, over 70% of farming is conducted on a large scale, supported by agricultural machinery that is characterized by large-scale, high-end and intelligent control systems. Precision farming and other smart agriculture technologies have been widely implemented at scale. At present, China's agriculture remains predominated by traditional smallholder, with large-scale operations exceeding 100 mu accounting for less than 40%. The agricultural machinery is mainly small to medium-sized, the penetration of high-end, intelligent agricultural machinery remains low and smart agricultural technologies are still immature.

The imbalance between food security and the development of agricultural productivity in turn drove an adjustment of the scalable field management and customer structure, accelerating transformation of traditional agriculture towards modern agriculture. Firstly, the scalable field management is accelerating. The area of land transfer in China increased from 460 million mu in 2016 to 580 million mu in 2024. The government continues to promote the construction of high-standard farmland and driving contiguous land transfer through integration of village collectives. Land transfer has now entered a stage of dual-driven development, characterized by "scale expansion and quality improvement". Secondly, the customer structure is undergoing in-depth adjustments. Family farms, planting cooperatives and other new types of business entities and agricultural service organizations are developing rapidly, and the scaling and intensification of agricultural operations are accelerating. The new generation of agricultural workforce possesses relatively higher levels of education and professional skills, and their acceptance and application capabilities for intelligent technologies have significantly improved, thereby promoted the transformation and upgrade towards intelligent and smart agricultural production.

Driven by scalable field management, structural shifts in the customer base and the pursuit of high-quality development of agricultural production, intelligent agricultural machinery and smart farming are poised to seize a historic window of opportunity.

Traditional agricultural machinery equipment is transforming and upgrading towards large-scale, high-end, intelligent and green operation to promptly address the problem of "who to farm". In terms of tractors, the proportion of large-scale tractors with over 100 horsepower and 200 horsepower will continue to increase, with chassis technology evolving from mechanical shift towards electronic chassis represented by power shift and continuously variable transmission (CVT). The level of complete-vehicle intelligence is constantly improving, and intelligent driving technology is being rapidly popularized. In terms of harvesters, there is an increasing focus on reducing losses and improving efficiency during harvesting, while the demand for intelligence level and driving comfort continues to grow. Large harvesters equipped with grain monitoring, grain loss monitoring and intelligent control functions for harvesting are becoming a development trend. In terms of agricultural implements, the demand for large-scale and high-end machinery such as high-speed precision planter, large smart sprayers, large high-density square balers and large batch dryers is increasing, with accelerated development of coordinated control between the implements and tractors. In the future, during the expedited advancement of comprehensive green transformation of the agricultural industry, new energy agricultural machinery such as new energy tractors, new energy harvesters and various types of electrified agricultural implements will enter a period of rapid development.

China's smart agriculture is accelerating its development towards integrated technical applications, which will become the core driving force for breaking through the bottlenecks of industry development and addressing the "how to farm scientifically". The solution for challenges faced by China's agriculture such as ageing population, prolonged excessive use of fertilizers and pesticides and deteriorating level of soil organic matter and hence achieving sustainable development will be strenuously develop smart agriculture based on technologies such as navigation and intelligent driving, environment perception, the Internet of Things, big data and AI, so as to propel the transformation of agricultural production from "experience-based" to "data-driven". Currently, China's smart agriculture is in a transition period from pilot demonstrations to large-scale application in certain regions. The integration of China's digital technology and modern agriculture has begun to bear fruits. In the future, smart agriculture technologies such as AI, intelligent driving, precise operations and remote sensing monitoring will be applied at a faster pace, and the collection, sharing and application of agricultural data will be further deepened. The next decade will be the "golden development period" for smart agriculture.

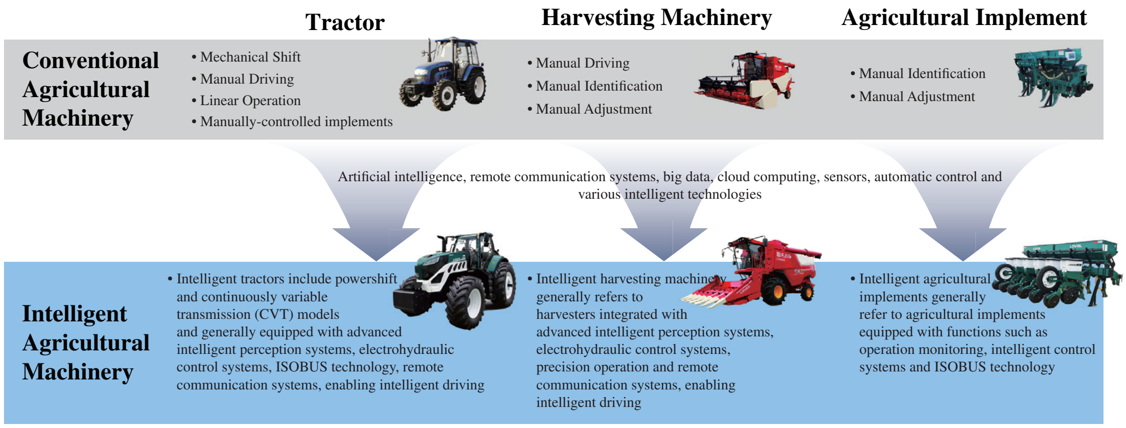
Definition and Classification of Agricultural Machinery

Agricultural machinery refers to a wide range of mechanical equipment used in agricultural production and the primary processing of agricultural products. It encompasses various stages of agricultural operations, including field preparing, planting, field management, harvesting, straw handling and grain drying. The major categories of agricultural machinery include tractors, harvesting machines and other agricultural implements.

Intelligent agricultural machinery integrates modern information technologies such as artificial intelligence, remote communication systems, big data, cloud computing, sensors and automatic control with agricultural machinery, equipment and technologies, so as to achieve a new form of agricultural machinery system characterized by automated, precise and intelligent agricultural production processes. Its core lies in empowering traditional agricultural implements with environmental perception, data analysis and decision-making and execution capabilities through technology, enabling them to automatically or assist them in completing agricultural operations such as field preparing, planting, fertilization, crop protection, harvesting and transportation. Intelligent agricultural machinery significantly enhances agricultural production efficiency, reduces resources consumption and lowers labour costs, making it a key equipment for advancing smart agriculture development and a key symbol of agricultural modernization.

Intelligent tractors include power-shift and continuously variable transmission (CVT) models and generally equipped with advanced intelligent perception systems, electro-hydraulic control systems, ISOBUS technology, remote communication systems, enabling intelligent driving. Intelligent harvesting machinery generally refers to harvesters integrated with advanced intelligent perception systems, electro-hydraulic control systems, precision operation and remote communication systems, enabling intelligent driving. Intelligent agricultural implements generally refer to agricultural implements equipped with functions such as operation monitoring, intelligent control systems and ISOBUS technology.

Definition and Classification of Intelligent Agricultural Machinery



Analysis of Agricultural Machinery Market

Market Size of Agricultural Machinery

Agricultural Machinery Market Size Analysis

The agricultural machinery market primarily includes segments of tractors, harvesting machinery, and agricultural implements. These categories serve different functions across various agricultural operations. Due to differences in application scenarios, technical complexity, and economic considerations, the level of intelligent development varies among various types of agricultural machinery. In 2024, the total global sales revenue of agricultural machinery reached approximately RMB1.5 trillion, while the total sales revenue of agricultural machinery in China was approximately RMB300 billion.

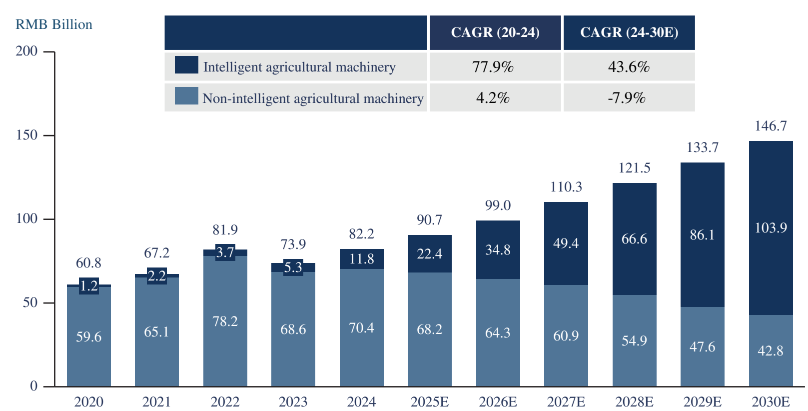
The following market size analysis of the agricultural machinery and intelligent agricultural machinery, as well as the comparative analysis of enterprises, primarily reflects the operating conditions of the key enterprises included in the statistics of the China Association of Agricultural Machinery Manufacturers.

Intelligent Agricultural Machinery Market Size Analysis

China's intelligent agricultural machinery market is currently at an early stage of development. In terms of sales volume in 2024, the penetration rate of intelligent agricultural machinery in the overall agricultural equipment market in China was approximately 7.2%. The sales revenue of intelligent agricultural machinery in China reached approximately RMB11.8 billion in 2024. Driven by developed markets such as Europe and America, the global intelligent agricultural machinery market achieved a degree of intelligence of approximately 31.6% in 2024 based on sales volume. This indicates significant growth potential for China's intelligent agricultural machinery market.

With the continuous improvement of supportive policies, rapid advancements in technology, and the increasing competitiveness of leading enterprises of China's intelligent agricultural machinery industry, China's intelligent agricultural machinery market is expected to enter a phase of great-leap-forward development after 2025. The market size is projected to reach approximately RMB103.9 billion by 2030, representing a CAGR of approximately 43.6% between 2024 and 2030. By 2030, the development of China's intelligent agricultural machinery sector is expected to reach the global level, with a degree of intelligence of 33.1%.

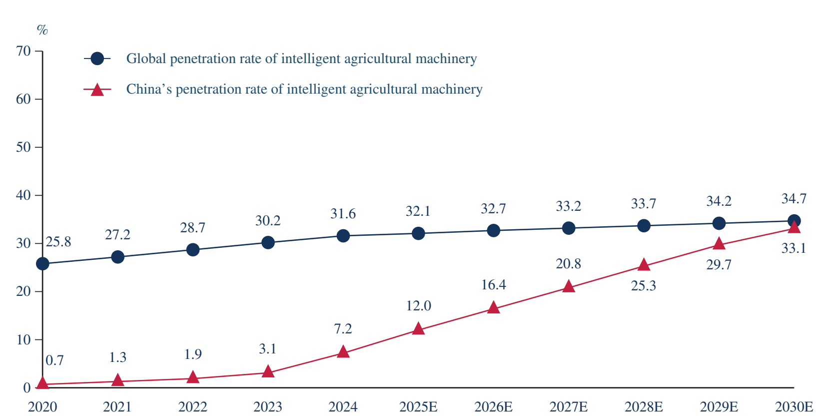
Market Size of Agricultural Machinery and Intelligent Agricultural Machinery (in terms of sales revenue), China, 2020-2030E



Note: The market size of agricultural machinery in China, as shown in the charts, refers to the sales value of key enterprises included in the statistics of the China Association of Agricultural Machinery Manufacturers.

Source: Frost & Sullivan

Penetration Rate of Intelligent Agricultural Machinery in the Overall Agricultural Machinery Market (in terms of sales volume), Global and China, 2020–2030E



Source: Frost & Sullivan

Analysis of Competitive Landscape of Global and China's Agricultural Machinery Industry

Competitive Landscape of the Agricultural Machinery Market

Leading global players in the agricultural machinery and intelligent agricultural machinery sectors include traditional industry giants such as John Deere, CNH, AGCO Corporation, Kubota, and CLAAS. The leading players in China's agricultural machinery and intelligent agricultural machinery market mainly include domestic leaders such as Weichai Lovol and international players such as John Deere. Compared with foreign brands, domestic leaders benefit from localization advantages, enabling them to capture a larger market share in China's market.

In terms of agricultural machinery sales revenue in 2024, the top five manufacturers accounted for a combined market share of 54.5%. Weichai Lovol ranked first with sales revenue of RMB17.4 billion and a market share of around 21.2%.

Ranking and Market Share of Agricultural Machinery Market (in terms of sales revenue), China, 2024

Rank	Company Name	Sales Revenue (RMB billion)	Market Share (%)
1	**The Company**	**17.4**	**21.2%**
2	Company A	11.9	14.5%
3	Company B	10.2	12.3%
4	Company C	3.0	3.7%
5	Company D	2.3	2.8%
	Others	37.4	45.5%
	Total	**82.2**	**100.0%**

Note: This ranking includes key enterprises included in the statistics of recognized by the China Association of Agricultural Machinery Manufacturers.

Company A is a company located in Henan, China, primarily engaging in sales of tractors, harvesting machinery, diesel engines, and core components.

Company B is a company located in Jiangsu, China, primarily engaging in sales of harvesting machinery, tractors, and related agricultural machinery.

Company C is a company located in Jiangsu, China, primarily engaging in sales of harvesting machinery, transplanters, tractors, and other agricultural machinery.

Company D is a company located in Tianjin, China, primarily engaging in sales of agricultural machinery.

Source: Company reports, Frost & Sullivan

Competitive Landscape of the Intelligent Agricultural Machinery

Based on intelligent agricultural machinery sales revenue in China in 2024, the top three manufacturers accounted for 70.5% of the total market share. Weichai Lovol ranked first with sales revenue of RMB5.4 billion, representing a market share of approximately 46.0%.

Ranking and Market Share of Intelligent Agricultural Machinery (in terms of sales revenue), China, 2024

Rank	Company Name	Sales Revenue (RMB billion)	Market Share (%)
1	**The Company**	**5.4**	**46.0%**
2	Company D	1.8	15.2%
3	Company C	1.1	9.3%
	Others	3.5	29.5%
	Total	**11.8**	**100.0%**

Source: Frost & Sullivan

Analysis of China's Tractor Industry

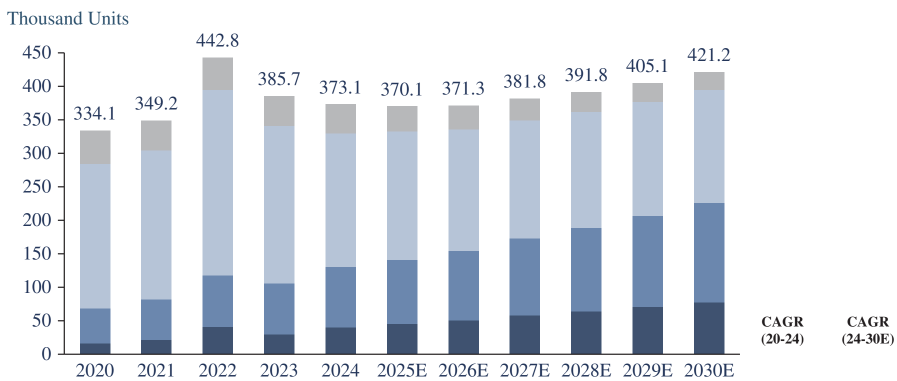
Market Size of Tractor

Tractor is among the most essential type of agricultural machinery. Typically composed of modules such as power systems, transmission systems, hydraulic systems, electronic systems, chassis, and work devices, tractors are used for towing and driving various agricultural implements. Their core function is to provide power for agricultural production and they are widely applied in dryland farming, paddy fields, orchards, and recreational agriculture.

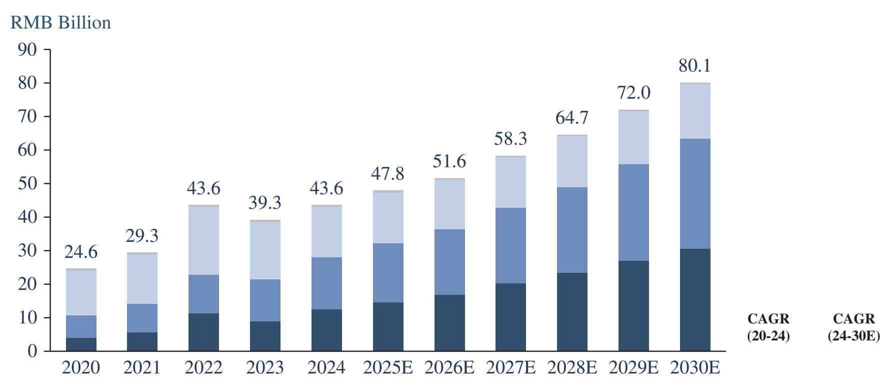
With the advancement of high-standard farmland development, the acceleration of scalable field management, and the rollout of the "Premium Machinery, Premium Subsidies" policy, new types of agricultural operators and socialized service providers are rapidly emerging. This is fueling an upgrade in customer demand and propelling China's tractor industry toward higher-end, larger-scale, smarter, and greener development. From a zero base to global competition, China's tractor industry has evolved from "nonexistent" to "excellent," driven by technological breakthroughs and policy support, becoming a key pillar of agricultural modernization. The industry is also exhibiting several key characteristics: First, the product mix is steadily improving, with growing demand for high-end and smart models; Second, the industrial chain is becoming more complete, driven by stronger collaboration across upstream and downstream players; Third, the level of internationalization continues to rise, with steady growth in export activities. China's tractor industry is advancing toward a modernized system characterized by cutting-edge technology, high-quality products, and comprehensive services.

Tractors are typically classified by horsepower into three categories: large tractors (≥100 horsepower), medium tractors (25–100 horsepower), and small tractors (<25 horsepower). Affected by various factors such as targeted government subsidies, accelerated agricultural scale-up, and product technology upgrades, the domestic tractor industry is currently showing a significant high-horsepower development trend. While the proportion of sales of medium and small tractors has declined in recent years, large tractors have consistently demonstrated robust growth in both unit sales and revenue. In particular, sales of high-horsepower tractors with 200 horsepower or more reached 40.2 thousand units in 2024, representing a CAGR of 25.6% from 2020 to 2024. This momentum is expected to continue, with projected CAGR of 11.6% from 2024 to 2030, further accelerating the industry's transition toward higher horsepower and intelligent tractor solutions in China.

Tractor Sales Volume and Revenue by Horsepower Segment in China (2020–2030E)



	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	CAGR (20-24)	CAGR (24-30E)
Below 25 horsepower	50.0	45.3	48.8	45.4	43.6	37.8	35.6	33.1	30.6	28.7	26.9	-3.4%	-7.7%
25-100 horsepower	216.4	222.4	276.7	234.9	199.8	191.7	181.9	176.1	172.8	170.2	168.5	-2.0%	-2.8%
100-200 horsepower	51.6	60.1	76.6	75.8	89.6	95.9	103.6	114.5	124.3	135.5	148.2	14.8%	8.8%
200 and above 200 horsepower	16.1	21.4	40.8	29.6	40.2	44.8	50.1	58.1	64.1	70.7	77.6	25.6%	11.6%
Total	**334.1**	**349.2**	**442.8**	**385.7**	**373.1**	**370.1**	**371.3**	**381.8**	**391.8**	**405.1**	**421.2**	**2.8%**	**2.0%**

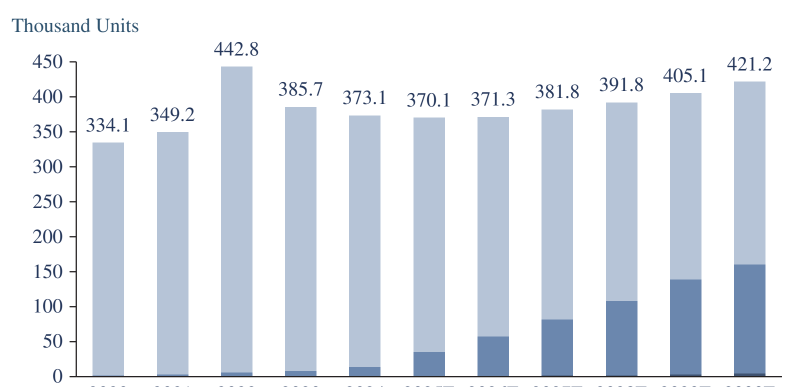


	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	CAGR (20-24)	CAGR (24-30E)
Below 25 horsepower	0.6	0.5	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.5	0.5	2.6%	-4.7%
25-100 horsepower	13.3	14.8	20.2	17.2	15.1	15.2	14.8	15.0	15.3	15.7	16.2	3.2%	1.2%
100-200 horsepower	6.8	8.5	11.6	12.5	15.4	17.5	19.5	22.5	25.4	28.9	32.8	22.7%	13.4%
200 and above 200 horsepower	3.9	5.6	11.2	8.9	12.5	14.6	16.8	20.3	23.4	26.9	30.6	33.3%	16.2%
Total	**24.6**	**29.3**	**43.6**	**39.3**	**43.6**	**47.8**	**51.6**	**58.3**	**64.7**	**72.0**	**80.1**	**15.4%**	**10.7%**

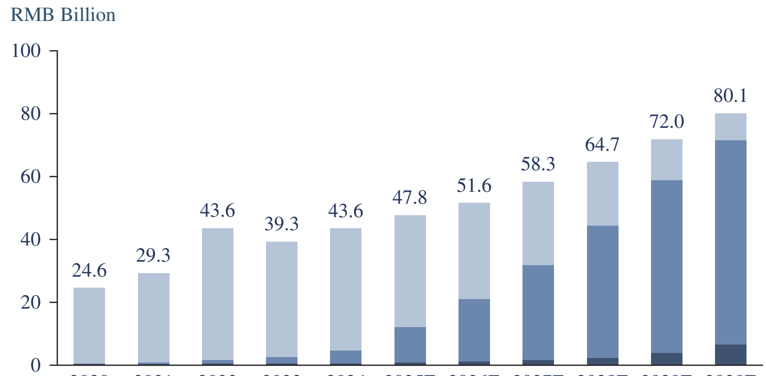
Source: Frost & Sullivan

In terms of transmission technologies, tractors can be classified into mechanical shift, power shift, and Continuous Variable Transmission (CVT). Currently, mainstream tractors sold in China use mechanical shift technology, which rely heavily on frequently stepping on the mechanical clutch for gear changes during use. This leads to increased operator fatigue, limited operational efficiency, and higher wear on the clutch due to improper handling, thereby affecting the machine's service life. Power shift technology replaces traditional mechanical manipulation with an electro-hydraulic control system, simplifying gear changes to push-button control. This allows fast gear transitions while maintaining uninterrupted power output. Coordinated operation between wet clutch packs and electronic control units enables operators to shift gears under complex conditions within 0.15 to 0.45 seconds, significantly improving operational efficiency and equipment reliability. CVT technology, utilizing power coupling, supports seamless speed regulation 0-40km/h. Meanwhile, the intelligent matching of the engine's optimal working curve ensures that the tractor consistently operates in its peak power output and fuel efficiency zone. Compared to power shift models, CVT tractors can reduce fuel consumption by 15% to 20% in deep field preparing and precision seeding scenarios while eliminating gear-shift-induced quality fluctuations to improve driving comfort. In 2024, tractor sales in China reached 373.1 thousand units, with total sales revenue of approximately RMB43.6 billion, the majority of which were mechanical shift models. In recent years, domestic brands represented by Weichai Lovol have successfully achieved breakthroughs in both power shift and CVT technologies, accelerating their adoption across the domestic market. Power shift tractor sales are projected to grow from approximately 13.8 thousand units in 2024 to approximately 155.8 thousand units by 2030, with a CAGR of approximately 49.8%, reaching a sales amount of approximately RMB65.0 billion by 2030. CVT tractor sales are expected to grow from less than 1.0 thousand units in 2024 to approximately 4.5 thousand units by 2030, with a CAGR of approximately 44.1%, and a sales amount of approximately RMB6.6 billion by 2030, laying a solid foundation for the continued development of intelligent tractor technologies in China.

Tractor Sales Volume and Sales Revenue (by technology type), China, 2020-2030E



	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	**CAGR (20-24)**	**CAGR (24-30E)**
Mechanical Shift	332.5	346.0	437.0	377.2	358.8	334.5	313.6	299.5	283.1	266.5	260.9	1.9%	-5.2%
Power Shift	1.3	2.8	5.3	8.1	13.8	34.9	56.7	81.1	107.1	135.9	155.8	79.3%	49.8%
CVT	0.3	0.4	0.5	0.4	0.5	0.7	0.9	1.2	1.6	2.7	4.5	10.6%	44.1%
Total	**334.1**	**349.2**	**442.8**	**385.7**	**373.1**	**370.1**	**371.3**	**381.8**	**391.8**	**405.1**	**421.2**	**2.8%**	**2.0%**



	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	CAGR (20-24)	CAGR (24-30E)
Mechanical Shift	24.0	28.3	41.8	36.6	38.8	35.5	30.5	26.5	20.2	13.0	8.5	12.8%	-22.4%
Power Shift	0.3	0.6	1.3	2.2	4.1	11.3	19.9	30.1	42.1	55.0	65.0	97.2%	58.2%
CVT	0.3	0.4	0.5	0.5	0.6	0.9	1.2	1.7	2.3	3.9	6.6	17.2%	48.2%
Total	**24.6**	**29.3**	**43.6**	**39.3**	**43.6**	**47.8**	**51.6**	**58.3**	**64.7**	**72.0**	**80.1**	**15.4%**	**10.7%**

Source: Frost & Sullivan

Intelligent Tractor Market Analysis

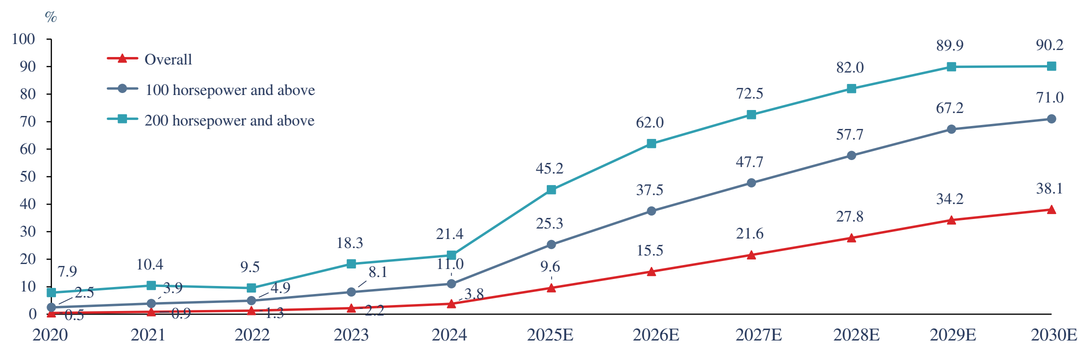
Intelligent tractors include power-shift and CVT models and generally equipped with advanced intelligent perception systems, electro-hydraulic control systems, ISOBUS technology, remote communication systems, enabling intelligent driving.

Autonomous driving is a key technology for intelligent tractor development. Compared to traditional tractors, autonomous tractors offer advantages in economic efficiency, operational safety, and productivity. They can effectively address issues such as rural labor shortages, labor aging, and production-related safety risks. Depending on the level of intelligence, intelligent tractors can achieving a leap from basic assisted navigation to full-scenario autonomous operation.

Currently, the development of intelligent tractors in China remains in the early stages, with a market penetration rate of approximately 3.8% within the tractor segment. According to the Implementation Guidelines for Agricultural Machinery Purchase and Application Subsidies (2024-2026)《2024-2026年農機購置與應用補貼實施意見》, the subsidy difference between intelligent tractors and traditional tractors has increased to RMB37,000 in 2024, up significantly from RMB4,000 in 2023. This increase, along with growing policy incentives for power shift tractors and a series of intelligent agricultural machinery promotion policies, coupled with continuous technological innovation by domestic manufacturers, is expected to catalyze explosive growth in intelligent tractors starting in 2025. By 2030, the penetration rate of intelligent tractors in China's tractor market is expected to reach approximately 38.1%.

The development of intelligent tractors is closely related to the trend of increasing horsepower in tractors. The vast majority of intelligent tractors are high-horsepower tractors with 100 horsepower and above. It is projected that by 2030, the penetration rate of intelligent tractors among tractors of 100 horsepower and above will reach approximately 71.0%, and among tractors of 200 horsepower and above, the penetration rate will reach approximately 90.2%.

Penetration Rate of Intelligent Tractors in the Tractor Market (in terms of sales volume), China, 2020-2030E



Source: Frost & Sullivan

Tractor Industry Ranking Analysis

At present, the concentration of the tractor industry in China is relatively high. The tractor industry is characterized by high barriers in terms of understanding of agricultural application scenarios, customers and brands, services, industrial chain resources, talents and technologies. Large enterprises enjoy significant advantages in high-end intelligent tractor R&D, manufacturing, sales, and after-sales services of high-end intelligent tractors, making it difficult for small and medium-sized enterprises to compete.

In terms of tractor sales volume in 2024, the top five manufacturers accounted for 66.4% of the market. Weichai Lovol ranked first with sales of 84.5 thousand units, achieving a market share of around 22.6%.

Ranking and Market Share of Tractors (in terms of sales volume), China, 2024

Rank	Company Name	Sales Volume (thousand units)	Market Share (%)
1	**The Company**	**84.5**	**22.6%**
2	Company A	74.3	19.9%
3	Company F	46.6	12.5%
4	Company G	21.7	5.8%
5	Company B	20.6	5.5%
	Others	125.5	36.6%
	Total	**373.1**	**100.0%**

Note: Company F is a company located in Jiangsu, China, primarily engaging in sales of tractors, agricultural implements, and supporting equipment. Company G is a company located in Jiangsu, China, primarily engaging in sales of tractors, harvesting machinery, diesel engines, and generator sets.

Source: China Association of Agricultural Machinery Manufacturers, Frost & Sullivan

In comparison, China's high-end intelligent tractor segment is more concentrated. Intelligent tractors are primarily composed of power shift and CVT models. Due to their higher technological complexity, greater R&D difficulty, and higher production costs, only a limited number of domestic enterprises with strong technological and financial capabilities are able to produce and promote these models effectively. Moreover, brand awareness plays a more decisive role in this high-end segment, with users tending to prefer well-known brands during the purchasing process.

In terms of intelligent tractor sales volume in 2024, the top three manufacturers accounted for 82.1% of the market. Weichai Lovol ranked first with sales of 7.5 thousand units, representing a market share of around 52.7%, and maintains a leading position in terms of intelligent technology adoption.

Ranking and Market Share of Intelligent Tractors (in terms of sales volume), China, 2024

Rank	Company Name	Sales Volume (thousand units)	Market Share (%)
1	**The Company**	**7.5**	**52.7%**
2	Company D	2.2	15.4%
3	Company C	2.0	14.0%
	Others	2.6	17.9%
	Total	**14.3**	**100.0%**

Source: Frost & Sullivan

Analysis of China's Harvesting Machinery Market

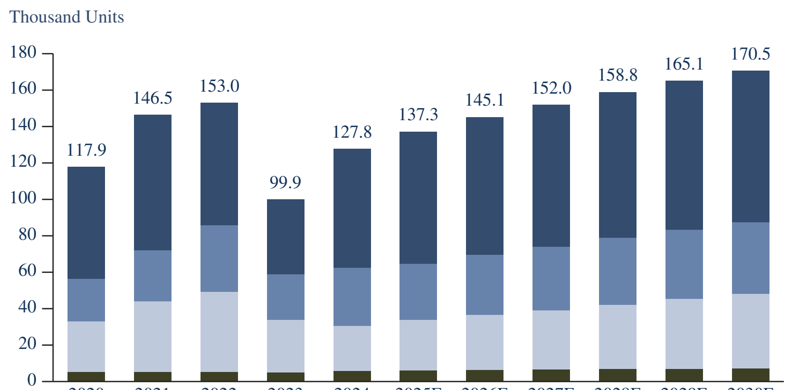
Harvesting Machinery Market Size

Harvesting machinery refers to agricultural machinery used to collect plant structures such as stems, fruits, seeds, or roots. Based on the target crop and technological characteristics, harvesting machinery can be categorized into single-operation machines and multi-operation combine harvesters. Single-operation machines such as harvesters and pickers perform only one task, while multi-operation combine harvesters such as grain combine harvesters and corn combine harvesters can complete multiple processes once.

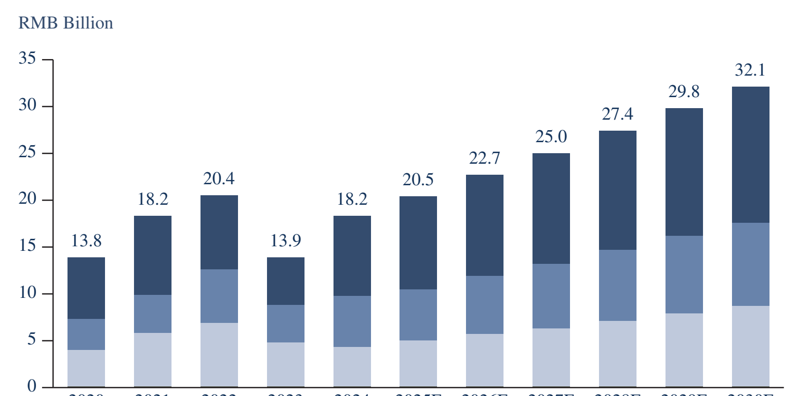
Currently, domestic harvesting machinery technology is undergoing a transition toward enhanced precision, intelligence, efficiency, and large-scale. China's national agricultural modernization strategy is driving the R&D of high-end harvesting machinery, with subsidy increasingly favoring large, smart models. From initial imitation to market expansion and technological iteration, China's harvesting machinery industry has developed into a complete system covering multiple crops and diverse application scenarios. In the future, the industry will continue to focus on intelligence and large-scale, providing sustained support for agricultural modernization and the national food security strategy.

Based on crop types, harvesting machinery can be classified into machinery for grains (such as wheat, rice, corn and soy beans), forage crops (e.g., green fodder, pasture grass, etc.), root crops (such as potatoes, peanuts and sugar beets), and fruits and vegetables. Among these, other harvesters for economic crops, such as peanut harvester and forage harvester, are collectively classified as specialized harvesters. Among all harvesting machinery, wheel type harvesting machines, crawler type harvesting machines, and corn harvesters represent the dominant product categories in China. In 2024, the sales volume of crawler type harvesting machine, wheel type harvesting machine, and corn harvesters in China were 65.3 thousand units, 32.1 thousand units, and 24.7 thousand units, respectively, with sales revenue of RMB8.5 billion, RMB5.5 billion, and RMB4.2 billion, respectively. Looking ahead, these three types of harvesting machinery are expected to maintain steady growth, with sales volume reaching 83.1 thousand units, 39.2 thousand units, and 41.2 thousand units, by 2030, and sales revenue of RMB14.5 billion, RMB8.9 billion, and RMB8.6 billion, respectively.

Sales Volume and Sales Revenue of Harvesting Machinery (by crop type), China, 2020-2030E



	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	CAGR (20-24)	CAGR (24-30E)
Crawler type harvesting machines	61.7	74.6	67.2	41.4	65.3	72.7	75.7	78.1	80.1	81.8	83.1	1.4%	4.1%
Wheel type harvesting machines	23.3	27.8	36.8	24.8	32.1	30.8	33.1	35.0	36.7	38.0	39.2	8.4%	3.4%
Corn harvesters	27.9	38.9	43.8	28.9	24.7	27.8	30.3	32.4	35.4	38.5	41.2	-3.0%	8.9%
Specialized harvesters	5.0	5.1	5.2	4.9	5.7	5.9	6.1	6.5	6.7	6.8	7.0	3.4%	3.4%
Total	**117.9**	**146.5**	**153.0**	**99.9**	**127.8**	**137.3**	**145.1**	**152.0**	**158.8**	**165.1**	**170.5**	**2.0%**	**4.9%**



	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	CAGR (20-24)	CAGR (24-30E)
Crawler type harvesting machines	6.6	8.4	7.9	5.1	8.5	9.9	10.8	11.8	12.7	13.6	14.5	6.5%	9.3%
Wheel type harvesting machines	3.3	4.1	5.7	4.0	5.5	5.5	6.2	6.9	7.6	8.3	8.9	13.8%	8.5%
Corn harvesters	3.9	5.7	6.8	4.7	4.2	4.9	5.6	6.2	7.0	7.8	8.6	1.8%	12.7%
Specialized harvesters	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	6.5%	5.6%
Total	**13.8**	**18.2**	**20.4**	**13.9**	**18.2**	**20.5**	**22.7**	**25.0**	**27.4**	**29.8**	**32.1**	**7.2%**	**9.9%**

Note: The market size for harvesting machinery in China, as shown in the chart, refers to the sales revenue of key enterprises included in the statistics of the China Association of Agricultural Machinery Manufacturers. Specialized harvesters include other harvesters for economic crops, such as peanut harvester and forage harvester.

Source: Frost & Sullivan

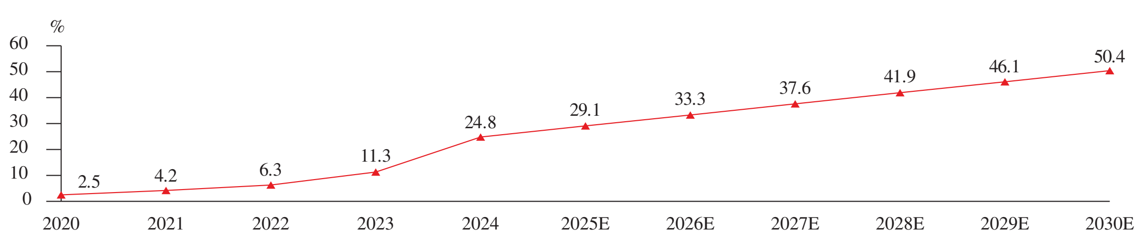
Intelligent Harvesting Machinery Market Analysis

Intelligent harvesting machinery generally refers to harvesting machinery equipped with advanced intelligent perception, electro-hydraulic control, precision operation and remote communication systems, with intelligent driving available.

The intelligence level of intelligent harvesting machinery is primarily reflected in the precision monitoring, automated control, and intelligent regulation of harvesting operations. Intelligent harvesting technologies, including satellite positioning, yield detection, task detection, path planning, and decision-making control enabling the automatic identification and tracking of crops, and allowing precise control of the operational range and depth of harvest machinery, which improve both harvesting efficiency and quality.

Currently, China's intelligent harvesting machinery remains in the early stages of development. The overall penetration rate of intelligent harvesting machines in the harvesting machines market is approximately 24.8%. Similarly, the most recent Implementation Guidelines for Agricultural Machinery Purchase and Application Subsidies (2024-2026) (《2024-2026年農機購置與應用補貼實施意見》) clearly states a "premium machine, premium subsidy" ("優機優補") policy for harvesting machinery. For example, the subsidy eligibility threshold for grain harvesters has been raised from a feeding rate of over 7 kg/s to over 12 kg/s, with the maximum subsidy amount increased to RMB68,000. The refinement of subsidy policies is expected to further accelerate the development of China's intelligent harvesting machinery industry. The penetration rate of intelligent harvesting machines is projected to reach 29.1% in 2025 and further increase to approximately 50.4% by 2030.

Penetration Rate of Intelligent Harvesting Machinery in the Harvesting Machinery Market (in terms of sales volume), China, 2020-2030E



Source: Frost & Sullivan

Harvesting Machinery Market Ranking Analysis

At present, China's agricultural harvesting machinery industry demonstrates a high level of market concentration. Harvesting machines require highly crop-specific technical capabilities. For example, harvesting machinery for rice, wheat, corn, and other crops differ significantly in key components such as threshing mechanisms, header design, and cleaning systems. These differences require long-term, targeted technological accumulation, enabling well-capitalized and technically capable large enterprises to maintain a stable market presence. Furthermore, harvesting operations are highly seasonal, and the cost of equipment downtime due to failure is substantial, making it difficult for small and medium-sized enterprises to remain competitive. These factors, combined with national subsidy policies that favor high-performance models, are accelerating the consolidation of resources toward leading enterprises.

In terms of the sales volume of wheel type harvesting machines in 2024, the top 5 manufacturers collectively accounted for 84.8% of the market share. Weichai Lovol ranked first with a sales volume of 17.2 thousand units, holding a market share of approximately 53.5%.

Wheel Type Harvesting Machine Market Ranking and Market Share (by sales volume), China, 2024

Ranking	Company Name	Sales Volume (thousand units)	Market Share (%)
1	**The Company**	**17.2**	**53.5%**
2	Company L	6.0	18.7%
3	Company B	2.2	6.8%
4	Company A	1.0	3.2%
5	Company O	0.8	2.6%
	Others	4.9	15.2%
	Total	**32.1**	**100.0%**

Note: Company L is a company located in Anhui, China, primarily engaging in sales of corn harvesters, grain harvesters, and tractors.

Company O is a company located in Shandong, China, primarily engaging in sales of harvesting machinery, and tractors.

Source: China Association of Agricultural Machinery Manufacturers, Frost & Sullivan

In terms of the sales volume of corn harvester in 2024, the top 5 manufacturers collectively accounted for 72.6% of the market share. Weichai Lovol ranked first with a sales volume of 5.3 thousand units, holding a market share of approximately 21.5%.

Corn Harvester Market Ranking and Market Share (by sales volume), China, 2024

Ranking	Company Name	Sales Volume (thousand units)	Market Share (%)
1	**The Company**	**5.3**	**21.5%**
2	Company H	5.3	21.3%
3	Company I	3.2	12.0%
4	Company J	2.1	8.6%
5	Company K	2.1	8.3%
	Others	6.8	27.4%
	Total	**24.7**	**100.0%**

Note: Company H is a company located in Hebei, China, primarily engaging in sales of corn harvesters and related agricultural machinery.

Company I is a company located in Shandong, China, primarily engaging in sales of corn harvesters, and wheat harvesters.

Company J is a company located in Shandong, China, primarily engaging in sales of harvesting machinery, tractors, and agricultural equipment.

Company K is a company located in Shandong, China, primarily engaging in sales of harvesting machinery, and related agricultural equipment.

Source: China Association of Agricultural Machinery Manufacturers, Frost & Sullivan

In terms of the sales volume of crawler type harvesting machines in 2024, the top 5 manufacturers collectively accounted for 96.8% of the market share. Weichai Lovol ranked second with a sales volume of 15.1 thousand units, holding a market share of approximately 23.1%.

Crawler Type Harvesting Machines Market Ranking and Market Share (by sales volume), China, 2024

Ranking	Company Name	Sales Volume (thousand units)	Market Share (%)
1	Company B	39.1	59.9%
2	**The Company**	**15.1**	**23.1%**
3	Company C	4.7	7.2%
4	Company L	2.3	3.5%
5	Company M	2.1	3.1%
	Others	2.1	3.2%
	Total	**65.3**	**100.0%**

Note: Company M is a company located in Jiangsu, China, primarily engaging in sales of agricultural machinery, diesel engines, and related components.

Source: China Association of Agricultural Machinery Manufacturers, Frost & Sullivan

In terms of the sales volume of intelligent harvesting machines in 2024, the top 5 manufacturers collectively accounted for 97.2% of the market. Weichai Lovol ranked first with a sales volumn of 20.9 thousand units, holding a market share of approximately 66.0%.

Intelligent Harvesting Machines Market Ranking and Market Share (by sales volume), China, 2024

Rank	Company Name	Sales Volume (thousand units)	Market Share (%)
1	**The Company**	**20.9**	**66.0%**
2	Company B	6.4	20.2%
3	Company L	1.9	5.9%
4	Company C	0.8	2.6%
5	Company H	0.8	2.5%
	Others	0.9	2.8%
	Total	**31.7**	**100.0%**

Source: Frost & Sullivan

Analysis of China's Agricultural Implements Market

Market Size of Agricultural Implements

Agricultural implements refers to the supporting equipment used in agricultural production, primarily for field preparing, planting, field management, straw handling, grain drying, and other operations. Types of agricultural implements include hydraulic reversible plough, rotary tillers, seeding machines, fertilizer spreaders, sprayers, balers, and agricultural dryers.

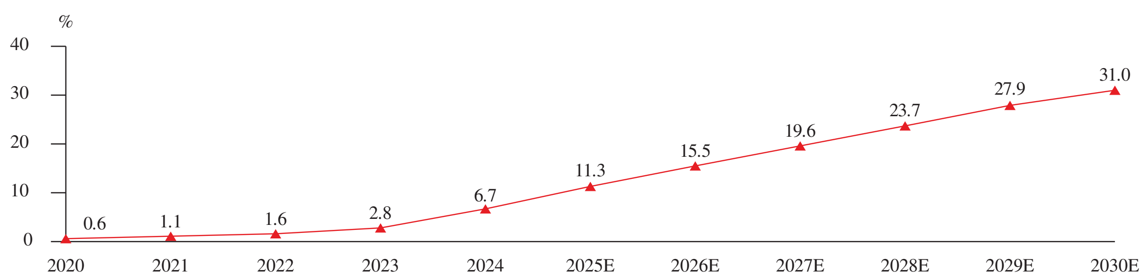
The market size of China's agricultural implements was approximately RMB20.4 billion in 2024, and it is projected to further grow to RMB34.5 billion by 2030, with a CAGR of about 9.1% during this period. In the agricultural implements market in 2024, the sales volumes of transplanter, seeding machines, balers, and agricultural dryers were 104.8 thousand units, 125.4 thousand units, 20.3 thousand units, and 15.1 thousand units, respectively. In the future, it is expected that the market demand for transplanter, seeding machines, balers, and agricultural dryers will show a slight increase, and by 2030, the market sales volumes will reach 156.3 thousand units, 185.8 thousand units, 22.8 thousand units, and 20.6 thousand units, respectively.

Analysis of Intelligent Agricultural Implements Market Analysis

Intelligent agricultural implements generally refer to agricultural implements equipped with functions such as operation monitoring, intelligent control, or ISOBUS technology.

The degree of intelligence in intelligent agricultural implements is primarily reflected in their capabilities for precise operation monitoring, automated control, and intelligent regulation. For example, precision seeding technology ensures seeds are placed at optimal positions, improving accuracy and efficiency in seeding. Precision fertilization technology allows nutrient application to be tailored to soil nutrient levels and crop needs, reducing waste while conserving resources. Currently, China's intelligent agricultural implement sector remains in its early stages of development. However, the emergence of intelligent, high-end agricultural implements, such as high-performance intelligent seeders, has been encouraged and supported by subsidy policies. It is expected that the overall penetration rate of intelligent agricultural implements in China will continue to grow steadily, further increasing to approximately 31.0% by 2030.

Penetration Rate of Intelligent Agricultural Implements in the Agricultural Implements Market (by sales volume), China, 2020-2030E



Source: Frost & Sullivan

Drivers for China's Agricultural Machinery Industry

1) Grim situation of food security: China, as a country with large population, is facing prominent contradiction between food demand and arable land resources, which has in turn promoted the agricultural operation model to accelerate transformation, and the rapid development of intelligent agricultural machinery and smart agriculture.

Being a country with a population of 1.4 billion, China has a rigid food demand and is therefore suffering pressure in satisfying the huge demand. Although the self-sufficiency rates for staple food such as wheat, corn and rice have exceeded 95%, as the room for expansion is constrained by the existing scale of farmland of 1.9 billion mu, the dependency rates of imported oil crops and fodder such as soybeans remained high at 80%. In 2024, China's agriculture production reached 710 million tonnes and total agriculture import reached 160 million tonnes. Structural shortages have in turn promoted the transformation and upgrade of agricultural productivity and operation models, while urgent need to increase per-unit yield has facilitated rapid growth in the demand for intelligent agricultural machinery and smart agriculture.

2) Structural changes in labor force: Adjustment to the structure of rural labor force has promoted the development and intelligent upgrading of high-end agricultural machinery

China's rural labor force is undergoing profound structural transformation. The number of agricultural workface declined to 160 million in 2024, and is projected to further decline to 30 million by 2050. Such decline in the number of agricultural workforce has, on one hand, brought two direct consequences: a sustained increase in agricultural labor costs, and a severe shortage in labor supply, this is particularly the case during peak farming seasons. On the other hand, the new generation of practitioners possesses relatively higher levels of education and professional skills, and their acceptance and application capabilities for intelligent technologies have significantly improved. The contradiction of demand for the agricultural workforce is driving the upgrade towards large-scale, high-end and intelligent agricultural machinery.

3) Deepening the scalable field management: Intensification of agricultural operations has given rise to demand for efficient and intelligent equipment

The area of land transfer in China increased from 460 million mu in 2016 to 580 million mu in 2024. The government continues to promote the construction of high-standard farmland and driving contiguous land transfer through integration of village collectives. Land transfer has now entered a stage of dual-driven development, characterized by "scale expansion and quality improvement". The customer structure is upgrading rapidly. Family farms, planting cooperatives, and other new types of business entities and agricultural service organizations with planting areas of more than 100 mu are developing rapidly. The scaling, intensification, and intelligent upgrading of agricultural operations are accelerating. Large-scale operations are imposing new requirements on agricultural machinery. Traditional small-sized machinery can no longer meet the needs of large-scale operations, and the market is shifting towards large-scale, high-end, and intelligent equipment.

4) Strong national policy support: driving the accelerated development of intelligent agricultural machinery and smart agriculture

Food security is a top national priority. Given constraints on arable land, only significantly improve the per-unit yield of grains can China remove the bottleneck of grain production. China has identified intelligent agricultural machinery as a strategic tool to safeguard food security. Through systematic policy arrangements, the nation is accelerating the industry's upgrade. The "Plan for Accelerating the Construction of an Agricultural Powerhouse (2024-2035) (《加快建設農業強國規劃(2024-2035年)》)" and consecutive central No. 1 documents have clearly defined the development direction for agricultural machinery, systematically promoting the comprehensive upgrade of agricultural machinery. The implementation of agricultural machinery purchase and application subsidy policies focuses on intelligent and efficient "high-quality machinery" such as power-shift/continuously variable transmission tractors, large-capacity harvesting machines, high-end precision planters and Beidou navigation-assisted driving systems, promoting the widespread adoption of high-end intelligent equipment. The "National Smart Agriculture Action Plan (2024-2028) (《全國智慧農業行動計劃(2024 – 2028年)》)" supports the development and application of smart agriculture technologies, including AI, intelligent driving, precision operations, and remote sensing monitoring. It also supports the construction of smart agriculture demonstration bases, accelerating technological iteration through scenario-driven approaches. With the impetus of this policy package, intelligent agricultural machinery and smart agriculture will embrace a golden age of development.

5) Technological integration and innovation breakthroughs: empowering the accelerated development of intelligent agricultural machinery and smart agriculture

In recent years, technological breakthroughs in multiple fields such as electrohydraulic control, remote communication, cloud computing, and artificial intelligence have been profoundly reshaping the technological system of the agricultural machinery industry. The integration of electrohydraulic automatic control technology with automatic navigation and ISOBUS technology has achieved a leapfrog improvement in the precision operations of agricultural machinery. The integrated application of perception networks, multimodal visual recognition, AI decision-making algorithms and precision operation technologies has propelled agricultural production from experience-based traditional models to data-driven smart agriculture. Meanwhile, the rapid penetration of new energy technologies in the automotive and engineering machinery sectors has created synergies in the technology reserve and supply chain of battery, electric motor, and electronic control, accelerating the iterative upgrading of agricultural machinery towards electrification, low-carbon development and intelligentization.

Development Trends of China's Agricultural Machinery Industry

1) The transformation and upgrading of traditional agricultural machinery equipment to large-scale, high-end, and intelligent agricultural machinery. Meanwhile, full-suite intelligent agricultural machinery system solutions are gradually becoming the mainstream demand of customers

The scalable field management is driving a surge in demand for large-scale, high-end, and intelligent equipment. In terms of tractors, small and medium horsepower tractors are continuously upgrading to large tractors with over 100 horsepower, with transmission technologies evolving towards power shift and continuously variable transmission. The level of electrohydraulic control and other intelligent technologies is constantly improving, and automatic navigation technology is being rapidly popularized. In terms of harvesters, there is an increasing focus on reducing losses and improving efficiency during harvesting, while the demand for comfort in operation continues to grow. Large harvesters equipped with grain monitoring and intelligent control functions for operations are becoming a trend. In terms of agricultural implements, the demand for high-end machinery such as high-speed precision planters, large self-propelled smart sprayers, large high-density square balers, and large batch dryers is increasing, with a greater emphasis on achieving coordinated control between the machinery and tractors.

China's agricultural machinery industry is transitioning from selling individual equipment to an technology of the products ecological transformation of "product + service". The ISOBUS technology of the products creates a digital channel between power machinery and working machinery, and relies on the agricultural machinery IoT system to achieve interconnectivity of equipment across all stages of farming such as field preparing, planting, crop protection, and harvesting. Functions such as intelligent adjustment of operating parameters, coordinated scheduling of multiple machines, and remote operation and maintenance management are realized, forming a comprehensive intelligent agricultural machinery system solution covering the entire process of field preparing, planting, management, and harvesting. This not only improves operational efficiency and enhances user experience but also establishes a product competitive barrier that is hard to break through.

2) Rapid development of new energy technology, empowering accelerated intelligence of vehicle

China's new energy agricultural machinery gradually included new energy is undergoing development under a dual acceleration trend of technological breakthroughs and policy-driven initiatives. On the policy side, the state has gradually included new energy agricultural machinery in the key purchase subsidies, with subsidies from 2024 to 2026 tilting towards the "dual carbon" goals to accelerate market promotion. On the technical side, the continuous optimization of battery energy density and intelligent control algorithms, along with the gradual improvement of charging infrastructure, and the spillover effect of the automotive industry's "three-electric" supply chain, are driving new energy agricultural machinery from pilot projects to scaled applications. Meanwhile, the precise control of the electric drive system, in-depth interaction of data, continuous evolution of software-defined functions, and the construction of a collaborative ecosystem, will restructure the architecture of complete-vehicle intelligence system, propelling the development of agricultural machinery from "mechanical automation" to "digitalization."

3) Technological breakthroughs and scenario implementation are spawning a broad market for agricultural robots

Agricultural robots are intelligent automated devices designed for agricultural production processes, integrating multiple disciplines such as artificial intelligence, sensor technology, automatic control, and mechanical engineering. As a technological extension of intelligent agricultural machinery, agricultural robots have a high degree of autonomy, with capabilities for environmental perception (such as vision, LiDAR), path planning, and autonomous decision-making. Its core function is to replace or assist manual labor in tasks such as planting, management, harvesting, and sorting to improve efficiency, reduce costs, and achieve precision agriculture. Agricultural robots have main application fields in complex scenarios such as drylands, paddy fields, orchards and facility agriculture. Agricultural robots can be divided into two types based on their physical structure: one is an extension of the existing physical architecture of agricultural machinery, such as driverless tractors; the other one is a new type of architecture robot that breaks away from the traditional agricultural machinery architecture, focusing on lightweight and agility, such as intelligent universal platforms, humanoid robots, quadruped robots and hexapod robots.

Agricultural robots possess four core advantages: precision operations, all-weather operations, adaptability to complex scenarios, and intelligent decision-making collaboration. They will gradually become an important participant in future smart agriculture and a key carrier for reshaping modern agricultural operation models. The current market size of agricultural robots in China is approximately RMB190 million, and it is projected to reach about RMB2.5 billion by 2030, with applications gradually being promoted. By 2050, the market is expected to further expand to about RMB68.1 billion, playing an increasingly important role in agriculture in the future.

4) Smart agricultural technologies are accelerating their development towards integrated technical applications, with an intensified commercialization process seen in smart agricultural services

Based on intelligent agricultural machinery and empowered by technologies such as biotechnology, information perception, intelligent decision-making, and precision operation, smart agriculture will drive agriculture from "experience-driven" to "data-driven". AI technology based on information perception and optimized deep learning algorithms is rapidly penetrating the intelligent agricultural machinery and smart agriculture fields. By integrating multi-dimensional data such as soil, meteorological, and crop growth, as well as building an intelligent decision-making model covering the whole process from field preparing, planting, managing to harvesting, the smart agriculture management platform enables the intelligent agricultural machinery to achieve precision operation, thereby efficiently contributing to the increase in per-unit yield and the green and sustainable development. Focusing on "increasing production, reducing losses, cutting costs and improving efficiency", China's smart agriculture is currently in a transition period from pilot demonstrations to large-scale application in certain regions. The integration of digital technology and modern agriculture has begun to bear fruits. In the future, the rapid development of technologies such as AI, intelligent driving, precision operations and remote sensing monitoring will promote accelerated all-scenario application of smart agriculture.

5) The after-sales market of agricultural machinery is accelerating the transformation towards full life-cycle management, driving the industry to embrace structural development opportunities

The after-sales market for agricultural machinery is undergoing a value chain reconstruction from "equipment sales" to "full life-cycle services". As the customer base will evolve more rapidly towards being organized, younger, and more professional in the future, there will be a growing rigid demand for genuine spare parts and professional repair and maintenance services. Meanwhile, the Internet of Things (IoT) and big data technologies are driving the intelligent upgrading of repair and maintenance services. For example, remote fault warnings are enabled through equipment connectivity, demonstrating that the service model is shifting from "reactive repair" to "proactive prevention". Technological upgrade has been able to continuously expand the value-added space of service in after-sales market. Driven by both improvements in product reliability and support from scrapping and updating policies, the value of second-hand agricultural machinery is significantly enhanced. This transformation trend has been proven by the practice in agricultural machinery industry of Europe and America. Taking a global giant in the agricultural machinery industry as an example, it achieves global equipment networking through digital and intelligent platform, thereby constructing an intelligent closed-loop service system covering fault warnings, remote diagnosis and sales of spare parts. In 2024, revenue from its spare parts business accounted for nearly 20% of the total revenue. In the coming future, the after-sales market with main focus on spare parts and second-hand machinery will serve as a new value growth point for agricultural machinery industry.

6) China's agricultural machinery exports are entering a strategic opportunity period, combining emerging market expansion with rising global competitiveness

In recent years, China's agricultural machinery export volume has continued to expand, with products accelerated their penetration into the global market thanks to their high cost-performance advantage. The export map has expanded to more than a hundred countries and regions worldwide, with significant growth in emerging markets such as Southeast Asia, Latin America, and Africa. Leading companies in the industry are continuously enhancing product and service competitiveness by establishing overseas innovation centers and promoting local manufacturing and sales operations. The next 5-10 years will be a strategic opportunity period for Chinese agricultural machinery to go global, due to continued national policy dividends. The agricultural modernization process of relevant countries will resonate deeply with China's agricultural machinery industry. Meanwhile, the transformation towards high-end and intelligent products will continuously strengthen the global competitiveness of Chinese agricultural machinery, with the potential for breakthroughs in the high-end market.

Entry Barriers for China's Agricultural Machinery Industry

1) Barrier to Understanding Agricultural Application Scenarios

Agricultural application scenarios are complex and variable, covering different crops, soil types, and climatic conditions, with significant differences in crop varieties and farming practices across regions. A deep understanding of agricultural machinery operation scenarios requires long-term practical experience. Agricultural machinery data and farming practices data are core assets for enterprises and constitute the core competitiveness of leading agricultural machinery companies. It is challenging for new entrants to build equivalent levels of experience, capabilities, and data assets.

2) Customer and Brand Barriers

The customer structure of the agricultural equipment market has undergone profound changes. The proportion of individual machine operators purchasing agricultural machinery has been declining year by year, while professional machine operators, agricultural machinery cooperatives, and socialized service organizations have emerged as the primary buyers. The primary considerations in purchasing agricultural machinery are performance, reliability, and brand. Building brand recognition requires long-term, large-scale market validation and the accumulation of users' praises. It is challenging for new entrants to gain brand recognition from users in a short period.

3) *Service Barrier*

Agricultural production has distinct seasonality, and agricultural machinery companies must have the flexibility to meet the surging seasonal service demands, especially demands from customers engaged in cross-regional operations who heavily rely on 24/7 response, rapid repairs and spare parts supply. Building nationwide service networks, developing professional service teams, and establishing digital service platforms (such as remote monitoring and fault warning systems) all require continuous financial investment and prolonged time period. Currently, only a few companies in the industry possess full-process cross-regional service capabilities, and service response speed and service quality have become core competitive edges that new entrants find difficult to replicate.

4) *Industrial Chain Resource Barrier*

The high-end intelligent agricultural machinery business has significant industry chain barriers. All global leading companies in the industry possess the capability to make independent research and development, and manufacture core parts such as high-performance engines, high-end electronic chassis, wet clutches, high-precision control valves, intelligent sensors and controllers. To develop high-end intelligent agricultural machinery, it is necessary to have a full control of core technologies, core manufacturing capabilities, and global supply chain resources. And the establishment of sales networks and after-sales support systems covering the entire operation area, including spare parts supply, maintenance services and technical support, is also necessary for downstream distribution service. It is challenging for new entrants to build core capabilities in the industrial chain.

5) *Talent Barrier*

The industry faces dual challenges of a shortage of multi-disciplinary talents and an incomplete talent development system. The research and development of intelligent agricultural machinery requires personnel with both mechanical engineering and information technology backgrounds, but the related interdisciplinary programs are relatively underdeveloped in universities, resulting in a limited number of graduates annually. On the corporate side, the training period for technical personnel with practical field experience is lengthy, typically 3 to 5 years. Geographically, agricultural machinery companies are primarily concentrated in industrial bases, which are misaligned with the talent-rich first-tier cities, further intensifying the difficulty of talent competition.

6) Technical Barriers

Enterprises need to engage in long-term technological R&D, field trials, and continuous improvement to develop high-reliability, adaptive products. Due to strong seasonality of agricultural machinery operations, usually with annual effective operating window under two months, new entrants often need several years of accumulation to launch mature models. The technical barriers in the intelligent agricultural machinery field are even more prominent, mainly reflected in the integration of multi-disciplinary technologies and the ability for rapid iteration. Its development requires the integration of technologies from multiple fields such as mechanical engineering, automatic control, and artificial intelligence. For example, the development of intelligent driving systems needs to simultaneously break through three major technological bottlenecks: GNSS (Global Navigation Satellite System) high-precision positioning, AI decision-making algorithms (operation path planning, obstacle recognition), and complete-vehicle intelligent control. In addition, customer awareness and data assets form invisible barriers. The in-depth understanding of agricultural machinery operation scenarios requires long-term practical accumulation, and core resources such as field operation data and equipment operation logs have already been accumulated by established companies as data assets, making it difficult for new entrants to quickly build an equivalent level of service capabilities.

Analysis of China's Agricultural Machinery Import and Export

With the continuous enhancement of China's agricultural machinery industry in terms of technological level, domestic production capacity, and global competitiveness, the export value of China's agricultural machinery has shown a gradual upward trend. In 2024, the export value of major agricultural machinery products in China, including tractors, harvesting machines, field preparing and field management machines, was approximately RMB14.9 billion, an increase of 12.3% compared to 2023. Among these, the export value of main machinery products such as tractors and harvesting machinery was RMB10.2 billion, with a year-on-year growth of 7.0%. The global competitiveness of Chinese agricultural machinery is gradually increasing.

China's agricultural machinery imports are primarily concentrated in high-horsepower tractors and harvesting machines, with major import sources including France, Germany, and the United States.

Agricultural Machinery Import and Export Value by Equipment Type in China, 2022-2024

	2022 (RMB billion)		2023 (RMB billion)		2024 (RMB billion)	
Type	**Export**	**Import**	**Export**	**Import**	**Export**	**Import**
Tractors	5.5	0.5	6.9	1.0	6.7	1.2
Harvesting machine . .	2.2	2.5	2.6	4.1	3.5	1.8
Agricultural implements.	3.9	0.3	3.7	0.4	4.7	0.4
Total	11.5	3.3	13.3	5.5	14.9	3.4

Note: Agricultural implements includes field preparing and field management machines, etc.

Source: General Administration of Customs of China, China Chamber of Commerce for Import and Export of Mechanical and Electrical Products

Tractors are China's most prominent agricultural machinery export product. In terms of export volume in 2024, the top five manufacturers accounted for 77.7% of total tractor exports. Weichai Lovol ranked first with export volume of 13.7 thousand units, achieving a market share of about 33.8%.

Ranking and Market Share of Tractor Export (in terms of export volume) in China, 2024

Rank	Company Name	Export Volume (thousand units)	Market Share (%)
1	**The Company**	**13.7**	**33.8%**
2	Company A	7.1	17.6%
3	Company L	4.6	11.4%
4	Company N	3.2	7.9%
5	Company F	2.8	7.0%
	Others	9.0	22.3%
	Total	**40.4**	**100.0%**

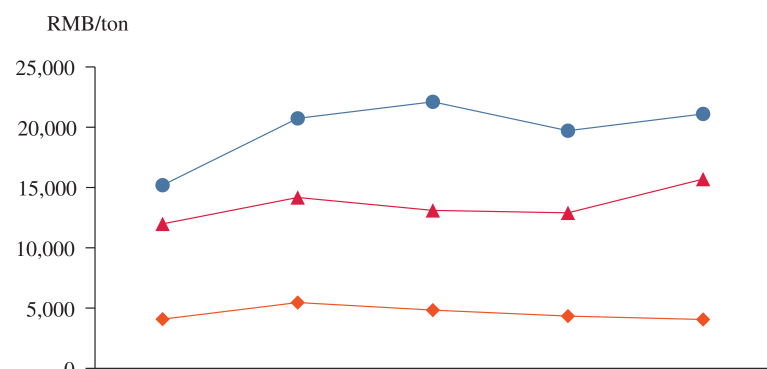
Note: Company N is a company located in Shandong, China, primarily engaging in sales of agricultural vehicles, tractors, and tires.

Source: China Association of Agricultural Machinery Manufacturers, Frost & Sullivan

Analysis of Agricultural Machinery's Raw Materials

The price of carbon structural steel rose from RMB4,079.3 per ton in 2020 to a peak of RMB5,458.7 per ton in 2021 before declining year by year, reaching RMB4,053.9 per ton in 2024. The price of aluminum alloy increased continuously from RMB15,191.5 per ton in 2020 to RMB22,107.4 per ton in 2022. After a slight correction in 2023, prices remained high at RMB21,103.3 per ton. From 2020 to 2024, the price of rubber fluctuated upward from RMB11,982.8 per ton to RMB15,696.2 per ton, with a minor dip during 2022 to 2023.

Price of Agricultural Machinery's Raw Materials, China, 2020-2024



	2020	2021	2022	2023	2024	CAGR (20-24)
Rubber	11,982.8	14,172.8	13,103.1	12,898.7	15,696.2	7.0%
Aluminum Alloy	15,191.5	20,735.3	22,107.4	19,710.1	21,103.3	8.6%
Carbon Structural Steel	4,079.3	5,458.7	4,830.7	4,334.5	4,053.9	-0.2%

OVERVIEW OF CHINA'S SMART AGRICULTURE INDUSTRY

Definition and Classification of China's Smart Agriculture Industry

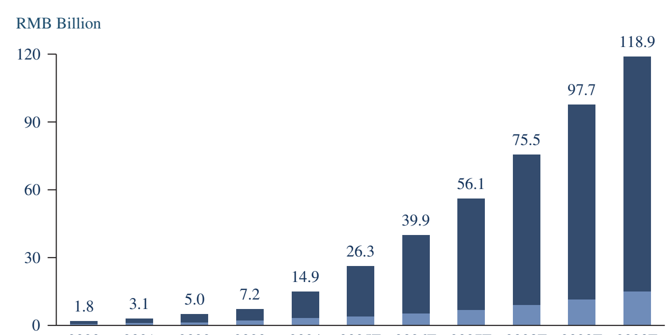
Smart agriculture is a new agricultural production and management model based on intelligent agricultural machinery and integrating biotechnology, information technology, artificial intelligence and big data technology to enable digital sensing, intelligent decision-making, precision operations and smart management across the entire agricultural production process. An integrated smart agriculture solution is a systematic solution providing a suite of intelligent agricultural equipment and digital, interconnectivity services grounded on the industrial essence of smart agriculture. Based on technological applications and functional attributes, an integrated smart agriculture solution primarily includes intelligent agricultural machinery and smart agriculture services. Smart agriculture services encompass comprehensive agricultural monitoring systems, precision operation systems, and smart agriculture management platforms.

Market Size of China's Smart Agriculture Industry

From 2020 to 2024, the global market size for integrated smart agriculture solutions expanded from RMB560.0 billion to RMB836.3 billion, representing a CAGR of 10.5%, which is projected to grow further to RMB1,033.3 billion by 2030. Smart agriculture in Europe and the United States has been highly developed in terms of intelligent agricultural machinery, comprehensive agricultural monitoring, precision operation and smart agriculture management platform technology: precision operation technology was introduced in the 1990s, enabling variable-rate application; after the 21st century, GPS-guided intelligent agricultural machinery became widespread, with automation rates exceeding 80%; after 2014, big data-driven smart agriculture management platforms commenced commercial application. In 2024, revenue from smart agriculture services of global leading enterprises accounted for more than 5% as a percentage of total revenue, and continued to grow, compared with less than 1% of major leading enterprises in China, which were still at their early stages of development.

From 2020 to 2024, China's market size for integrated smart agriculture solutions expanded from RMB1.8 billion to RMB14.9 billion, representing a CAGR of 70.3%. Policy support and market demand will drive the accelerated development of smart agriculture in China. China's smart agriculture will gradually transition from pilot demonstrations to large-scale applications. It is projected that by 2030, the market size for integrated smart agriculture solutions will reach RMB118.9 billion, with smart agriculture services accounting for RMB15.0 billion.

Market Size of Integrated Smart Agriculture Solutions (in terms of sales revenue, by business type), China, 2020-2030E



	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	CAGR (20-24)	CAGR (24-30E)
Intelligent agricultural machinery	1.2	2.2	3.7	5.3	11.8	22.4	34.8	49.4	66.6	86.1	103.9	77.9%	43.6%
Smart agriculture services	0.6	0.9	1.3	2.0	3.1	3.9	5.1	6.7	8.9	11.5	15.0	50.9%	30.3%
Total	**1.8**	**3.1**	**5.0**	**7.2**	**14.9**	**26.3**	**39.9**	**56.1**	**75.5**	**97.7**	**118.9**	**70.3%**	**41.3%**

Source: Frost & Sullivan

I. LAWS AND REGULATIONS RELATED TO FOREIGN INVESTMENT

China's foreign investment activities are regulated by a series of laws and regulations, especially documents such as the Foreign Investment Law of the People's Republic of China, the Negative List, and the Incentive List. These are aimed at clarifying foreign investment access policies, management measures, and industry directions.

The Foreign Investment Law of the People's Republic of China, released on March 15, 2019, established the regulatory framework for foreign investment. China implements a management system of pre-entry national treatment plus the Negative List for foreign investment. Foreign investments outside the negative list are granted national treatment.

The Measures for Reporting Information on Foreign Investment, released on December 30, 2019, specified details of the foreign investment information reporting system. When foreign investors conduct investment activities directly or indirectly within the territory of China, the foreign investors or foreign-invested enterprises shall report investment information to the competent commerce department in accordance with these measures.

According to the Catalogue of Industries for Encouraging Foreign Investment (2022 Edition) released on October 26, 2022, the manufacturing of agricultural machinery is listed as an encouraged industry for foreign investment in China.

The Special Administrative Measures for the Access of Foreign Investment (Negative List) (2024 Edition) released on September 6, 2024, lists the special administrative measures for foreign investment access. According to the Negative List, our business does not fall into the categories of restricted or prohibited foreign investment.

II. LAWS, REGULATIONS AND POLICIES RELATED TO THE AGRICULTURAL MACHINERY INDUSTRY

1. Industry Development

Since the implementation of the Agricultural Technology Extension Law of the People's Republic of China in 1993, relevant departments in China have successively issued and revised a series of laws and regulations to promote the development of the agricultural machinery industry. Especially after 2004, China has further strengthened its supervision and support for the agricultural machinery industry.

The Law of the People's Republic of China on Agricultural Technology Promotion (Amended in 2024), released by the Standing Committee of the National People's Congress on July 2, 1993, explicitly states that it is necessary to strengthen the promotion of agricultural technologies, including agricultural machinery technology, to facilitate the application of agricultural research achievements and practical technologies in agricultural production as soon as possible and realize agricultural modernization.

The Law of the People's Republic of China on Promotion of Agricultural Mechanization (amended in 2018), released by the Standing Committee of the National People's Congress on June 25, 2004, explicitly states the encouragement and support for farmers and agricultural production and operation organizations to use advanced and applicable agricultural machinery, in order to promote agricultural mechanization and develop modern agriculture.

The Measures for the Test and Appraisal of Agricultural Machinery (amended in 2018), released by the former Ministry of Agriculture on July 26, 2005, explicitly states the need to standardize the identification work of agricultural mechanization. Through scientific tests, inspections, and assessments, technical evaluations were made on the applicability, safety, and reliability of agricultural machinery, providing a basis and information for the selection and promotion of agricultural machinery.

The Decision of the Central Committee of the Communist Party of China on Several Major Issues Concerning the Promotion of Rural Reform and Development, released by the Third Plenary Session of the 17th Central Committee of the Communist Party of China on October 20, 2008, clearly pointed out the need to strengthen the management and services of the transfer of the right to contract and manage rural land, establish and improve the market for the transfer of the right to contract and manage rural land. In accordance with the principles of legality, voluntariness, and compensation, farmers are allowed to transfer the right to contract and manage rural land in the forms of subcontracting, leasing, exchange, transfer, and share cooperation, and develop various forms of moderately scaled operations.

The Regulations on the Safety Supervision and Management of Agricultural Machinery (amended in 2019), released by the State Council on September 17, 2009, clearly stated that the state encourages and supports the development, production, promotion, and application of advanced, applicable, safe, reliable, energy-saving, and environmentally friendly agricultural machinery, and establishes and improves agricultural machinery safety technical standards and safety operation procedures.

The Opinions of the State Council on Promoting the Sound and Rapid Development of Agricultural Mechanization and the Agricultural Machinery Industry, released by the State Council on July 5, 2010, clarified the guiding ideology, basic principles, and development goals for promoting the sound and rapid development of agricultural mechanization and the agricultural machinery industry, the main tasks for promoting the development of agricultural mechanization and the agricultural machinery industry, and demonstrated the attitude of increasing policy support and strengthening organizational leadership.

The Development Policy of the Agricultural Machinery Industry, released by the Ministry of Industry and Information Technology on August 17, 2011, strictly regulated the technology, product development, enterprise organizational structure, industry access, market construction, financial policy support, import and export management, etc. of agricultural machinery development.

The Made in China 2025, released by the State Council on May 8, 2015, clarified the key development of advanced agricultural machinery and equipment used in the main production processes of breeding, field preparing, sowing, management, harvesting, transportation, and storage of major grains such as grain, cotton, oil, and sugar, and strategic economic crops. It accelerated the development of high-end agricultural equipment such as large tractors and their combined operation implements, large and efficient combine harvesters, and key core components. It improved the information collection, intelligent decision-making, and precise operation capabilities of agricultural machinery and equipment, and promoted the formation of an overall information solution for agricultural production.

The Action Plan for the Development of Agricultural Machinery and Equipment (2016-2025), released by the Ministry of Industry and Information Technology, the former Ministry of Agriculture, and the National Development and Reform Commission on December 22, 2016, clarified the guiding ideology, principles, action goals, key tasks, and guarantee measures for the development of agricultural machinery and equipment. It proposed that by 2025, the categories of agricultural machinery and equipment will be complete, the technical level of the equipment required for the full mechanization of grain crop production will be greatly improved, the equipment required for the full mechanization of the production of major economic crops will be effectively supplied, and the equipment required for mechanization in the fields of animal husbandry, fishery, fruit and tea agriculture, primary agricultural product processing, and mountainous and hilly areas will be basically met.

The Law of the People's Republic of China on Specialized Farmers' Cooperatives was revised by the Standing Committee of the National People's Congress on December 27, 2017, clearly encouraging, supporting, and guiding the development of specialized farmers' cooperatives, protecting the legitimate rights and interests of specialized farmers' cooperatives and their members, and promoting agricultural and rural modernization.

The Opinions of the Central Committee of the Communist Party of China and the State Council on Implementing the Rural Revitalization Strategy, released by the State Council on January 2, 2018, clearly proposed that with the goal of rural revitalization, it is necessary to promote the transformation and upgrading of China's agricultural machinery and equipment industry, strengthen joint research by scientific research institutions and equipment manufacturing enterprises, further improve the localization level of agricultural machinery for major crops, accelerate the research and development of agricultural machinery for cash crops, aquaculture, and mountainous and hilly areas, and develop high-end agricultural machinery and equipment manufacturing.

The Guiding Opinions of the State Council on Accelerating the Transformation and Upgrading of Agricultural Mechanization and the Agricultural Machinery and Equipment Industry, released by the State Council on December 21, 2018, put forward opinions on accelerating the transformation and upgrading of agricultural mechanization and the agricultural machinery and equipment industry. The development goal is that by 2025, the categories of agricultural machinery and equipment will be basically complete, key agricultural machinery products and key components will achieve coordinated development, the product quality and reliability will reach the international advanced level, the product and technology supply will basically meet the needs, and the agricultural machinery and equipment industry will enter a stage of high-quality development.

The Work Specification for the Test and Appraisal of Agricultural Machinery, released by the Ministry of Agriculture and Rural Affairs on March 8, 2019, proposed the establishment of a national informatization platform for the management and service of agricultural machinery test and appraisal, uniformly publicizing information such as the outlines of agricultural machinery appraisal, the product category guidelines, the appraisal results, and the certificates. The Agricultural Machinery Test and Appraisal Station of the Ministry of Agriculture and Rural Affairs is responsible for the operation and management.

On June 17, 2019, the State Council issued the "Guiding Opinions on Promoting the Revitalization of Rural Industries," which pointed out that it is essential to adhere to the overall principle of giving priority to the development of agriculture and rural areas. The implementation of the Rural Revitalization Strategy should serve as the overall focus, while the agricultural supply-side structural reform should be the main line. It is necessary to fully explore the diverse functions and values of rural areas, focus on key industries, concentrate resources and elements, strengthen innovation leadership, highlight clustering and chain formation, extend the industrial chain, and enhance the value chain. New momentum for development should be cultivated to accelerate the construction of a modern agricultural industry system, production system, and management system. This will promote the formation of an integrated urban-rural development pattern and lay a solid foundation for the modernization of agriculture and rural areas.

The Opinions of the State Council on Comprehensively Promoting Rural Revitalization and Accelerating Agricultural and Rural Modernization, released by the State Council on January 4, 2021, clearly proposed to improve the independent research and development ability of agricultural machinery and equipment, support the research, development, and manufacturing of high-end intelligent and mountainous and hilly agricultural machinery and equipment, increase the subsidy for the purchase of agricultural machinery, and carry out subsidies for agricultural machinery operations.

The Outline of the Fourteenth Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035, released by the National People's Congress on March 12, 2021, clearly proposed to strengthen the research, development, and application of large, medium-sized, intelligent, and compound agricultural machinery, and increase the comprehensive mechanization rate of crop cultivation, planting, and harvesting to 75%. Develop advanced and applicable agricultural machinery such as intelligent large-horsepower tractors, precision (no-till) seeders, boom sprayers, ditch fertilization machines, high-efficiency combine harvesters, fruit and vegetable harvesters, sugarcane harvesters, and cotton harvesters. Develop efficient and specialized agricultural machinery for agricultural production in mountainous and hilly areas.

The Law of the People's Republic of China on the Promotion of Rural Revitalization, released by the Standing Committee of the National People's Congress on April 29, 2021, clearly proposed to encourage the research, development, production, and promotion of agricultural machinery, promote the full mechanization of the production of major crops, promote the integration of agricultural machinery and agronomy, the integration of mechanization and informatization, and promote the adaptation of mechanized production to farmland construction and the adaptation of service models to moderately scaled agricultural operations.

The Plan for Promoting Agricultural and Rural Modernization During the Fourteenth Five-Year Plan Period, released by the State Council on November 12, 2021, clearly proposed to promote the comprehensive and all-round development of agricultural mechanization, improve the full mechanization production system of crops, and accelerate the integration of varieties, cultivation, and equipment. Increase support for intelligent, high-end, and safe agricultural machinery and equipment, highlight the preferential subsidy for excellent machines and the reward for the excellent and punishment for the inferior, support the exploration of integrated research, development, manufacturing, and application, and improve China's agricultural machinery and equipment level and international competitiveness.

The National Plan for the Development of Agricultural Mechanization During the Fourteenth Five-Year Plan Period, released by the Ministry of Agriculture and Rural Affairs on December 27, 2021, clearly pointed out that it is necessary to further promote the supply-side structural reform of agricultural mechanization, focus on making up for shortcomings, strengthening weaknesses, and promoting coordination, vigorously promote the integration and adaptation of mechanization with agronomic systems, intelligent information technology, agricultural operation modes, and farmland construction, lead and promote the innovative development of agricultural machinery and equipment, expand and strengthen the industrial clusters and industrial chains of agricultural mechanization, and accelerate the development of agricultural mechanization towards comprehensive, all-round, high-quality and efficient development.

The Opinions of the Central Committee of the Communist Party of China and the State Council on Doing a Good Job in Key Work of Comprehensively Promoting Rural Revitalization in 2022, released on January 4, 2022, clearly proposed to improve the research, development, and application level of agricultural machinery and equipment, comprehensively sort out the shortcomings and weaknesses, strengthen the engineering collaborative research on agricultural machinery and equipment, implement the subsidy policy for the purchase and application of agricultural machinery, optimize the subsidy payment method, focus on supporting agricultural machinery such as grain drying, crawler operation, strip intercropping of corn and soybean, and rapeseed harvesting, promote large-scale composite intelligent agricultural machinery, and carry out pilot projects for the integrated research, development, manufacturing, promotion, and application of agricultural machinery.

The National Plan for the Development of Agricultural and Rural Informatization During the Fourteenth Five-Year Plan Period, released by the Ministry of Agriculture and Rural Affairs on February 22, 2022, clearly proposed to develop intelligent agricultural machinery. Accelerate the digital transformation of agricultural machinery and equipment, support the installation of navigation and positioning, operation detection, automatic driving, and other terminals on large and medium-sized agricultural machinery, develop the precise operation of agricultural machinery in the links of tillage, sowing, fertilization, irrigation, plant protection, harvesting, and primary processing, and carry out pilot projects of unmanned farm operations for major crops. Actively develop "Internet + Agricultural Machinery Operations", promote information services such as the supply and demand docking, operation monitoring, maintenance diagnosis, and remote dispatching of agricultural machinery operation services, promote the sharing and common use of agricultural machinery, and improve the efficiency of agricultural machinery services.

The Key Points of Digital Rural Development Work in 2022, released by the Cyberspace Administration of China, the Ministry of Agriculture and Rural Affairs, the National Development and Reform Commission, the Ministry of Industry and Information Technology, and the National Rural Revitalization Administration on April 20, 2022, clearly proposed to strengthen the supply of agricultural scientific and technological innovation. Strengthen the research, development, and manufacturing of high-end intelligent agricultural machinery and equipment, implement the key special projects of the National Key Research and Development Program such as "Key Technologies and Intelligent Agricultural Machinery and Equipment for Factory Agriculture" and "Research, Development and Integrated Application of Key Common Technologies for Rural Industries". Use special funds to support a number of agricultural machinery and equipment such as rice planting machinery suitable for southern mountainous and hilly areas. Implement the subsidy policy for the purchase and application of agricultural machinery, and promote the application of Beidou intelligent terminals in the field of agricultural production. Consolidate the foundation for the development of smart agriculture. Continuously promote the application of high-resolution satellite data in agricultural remote sensing. Actively promote the coverage of mobile Internet of Things in rural areas, increase the deployment of narrowband Internet of Things (NB-IoT) in agricultural production scenarios. Accelerate the construction and application of agricultural and rural big data, focus on building the national agricultural and rural big data platform, establish and improve the agricultural and rural data resource system, and construct a "one map" of national agricultural and rural big data.

The Opinions of the Central Committee of the Communist Party of China and the State Council on Doing a Good Job in Key Work of Comprehensively Promoting Rural Revitalization in 2023, released on January 2, 2023, clearly proposed to accelerate the research, development, and promotion of advanced agricultural machinery. Step up the research and development of large intelligent agricultural machinery and equipment, small machinery suitable for mountainous and hilly areas, and horticultural machinery. Support the integrated application of Beidou intelligent monitoring terminals and auxiliary driving systems. Improve the subsidy policy for the purchase and application of agricultural machinery, explore a subsidy method linked to the operation volume, and local governments should fulfill their legal expenditure responsibilities.

The Key Points of Digital Rural Development Work in 2023, released by the Cyberspace Administration of China, the Ministry of Agriculture and Rural Affairs, the National Development and Reform Commission, the Ministry of Industry and Information Technology, and the National Rural Revitalization Administration on April 13, 2023, clearly proposed to strengthen the support of agricultural science and technology and intelligent equipment. Compile and release the 2023 annual project guidelines for key special projects such as "Factory Agriculture and Intelligent Agricultural Machinery and Equipment" and "Research, Development and Integrated Application of Key Common Technologies for Rural Industries", create key equipment such as full-process intelligent operation equipment for typical cash crops and large-load plant protection drones, and continuously carry out research on key technologies such as intelligent agricultural machinery and equipment, agricultural production factories, field smart farms, and digital rural industries. Use the existing work channels to carry out project selection in the field of agricultural machinery and equipment. Actively promote agricultural machinery and equipment enterprises to coordinate the upstream and downstream of the industrial chain to accelerate the development of urgently needed equipment. Support the integrated application of Beidou intelligent monitoring terminals and auxiliary driving systems, and guide farmers to purchase and use more advanced and applicable Beidou terminals and equipment. Continuously carry out the construction of national industrial measurement and testing centers, and deepen the research and application of measurement and testing technologies, methods, and equipment for agricultural machinery and equipment. Support the establishment of an intelligent agricultural information service platform focusing on agricultural machinery and equipment, and promote the integration of information technology with agricultural machinery and agronomy.

In January 2025, the Central Committee of the Communist Party of China and the State Council issued the Plan for the All-round Rural Revitalization (2024-2027), clearly proposing to strengthen the support of agricultural science, technology and equipment, improve the agricultural technology promotion service system, carry out the action to address the weaknesses of agricultural machinery and equipment, accelerate the research, development and application of agricultural machinery and equipment such as large high-end intelligent agricultural machinery and small machinery suitable for mountainous and hilly areas, as well as key core components; vigorously develop smart agriculture; and improve the subsidy policy for the purchase and application of agricultural machinery. Steadily promote agricultural emission reduction and carbon sequestration, popularize no-till and reduced-till sowing technologies, reduce methane emissions from agriculture and odorous emissions from livestock and poultry farming, accelerate the retirement and renewal of old agricultural machinery and the application of green technology and equipment, and carry out research on agricultural emission reduction and carbon sequestration technologies.

In April 2025, the Central Committee of the Communist Party of China and the State Council issued the Plan for Accelerating the Building of a Strong Agricultural Country (2024-2035), clearly proposing to comprehensively upgrade agricultural machinery and equipment throughout the whole process. Specifically, it includes: strengthening the research, development and application of agricultural machinery and equipment such as large high-end intelligent agricultural machinery and small machinery suitable for mountainous and hilly areas, as well as key components, and accelerating the realization of the comprehensive support of domestic agricultural machinery and equipment for the high-quality and efficient development of agriculture. Promote the retirement and renewal of old agricultural machinery and optimize the structure of agricultural machinery and equipment. Build important industrial clusters of agricultural machinery and equipment, and establish an industrial pattern with stable upstream and downstream supporting and the coordinated participation of relevant enterprises in fields such as engineering electronics. Promote the deep integration of agricultural machinery and agronomy, and promote the connection and integration of the research, development, manufacturing, maturation, standardization, promotion and application of agricultural machinery and equipment, so as to achieve full coverage of the application of high-performance agricultural machinery and equipment in the whole chain of planting, breeding and processing.

2. Agricultural Machinery Subsidies

Since 2004, China has issued the Agricultural Mechanization Promotion Law and a series of supporting policies, stipulating that special funds shall be separately arranged by the central and local finances to directly subsidize farmers and agricultural production and operation organizations for purchasing advanced and applicable agricultural machinery supported and promoted by the state.

On February 25, 2005, the Interim Measures for the Use and Management of Special Funds for the Purchase Subsidy of Agricultural Machinery issued by the Ministry of Finance and the former Ministry of Agriculture standardized the subsidy for the purchase of agricultural machinery in terms of department responsibilities, subsidy objects, application, distribution, management and supervision of subsidy funds.

On July 25, 2017, the Notice on Accelerating the Implementation of the Subsidy Policy for the Purchase of Agricultural Machinery to Promote the Supply-side Structural Reform of Agriculture issued by the former Ministry of Agriculture clearly proposed to vigorously implement open subsidies. Provinces with sufficient funds and a relatively balanced supply and demand should strive to provide open subsidies for all categories of agricultural machinery within the subsidy scope and provide subsidies for all eligible items. Provinces that do not have the conditions for open subsidies due to funding gaps should also, in light of the actual situation, increase the key categories of agricultural machinery for open subsidies.

On March 12, 2021, the Guiding Opinions on the Implementation of Agricultural Machinery Purchase Subsidies from 2021 to 2023 issued by the Ministry of Finance and the Ministry of Agriculture and Rural Affairs clearly proposed that the central financial agricultural machinery purchase subsidy shall be implemented as a fixed-amount subsidy. The Ministry of Agriculture and Rural Affairs and the Ministry of Finance shall organize the formulation and release of the main classification parameters for various categories of agricultural machinery within the national subsidy scope. Each province may optimize the parameters and increase the classification on this basis, and determine the upper limit of the subsidy amount for each grade according to the average market sales price of products in the same grade in the previous year. In principle, the upper limit of the subsidy amount shall not exceed 30% of the average market sales price of products in the same grade in the previous year, and the subsidy amount for general-purpose agricultural machinery shall not exceed the highest subsidy amount issued by the Ministry of Agriculture and Rural Affairs and the Ministry of Finance. At the same time, each province may increase the subsidy amount for some key subsidized agricultural machinery, raising the upper limit ratio of the subsidy amount from 30% to 35%.

In June 2022, the Key Policies for Strengthening Agriculture and Benefiting Farmers issued by the Ministry of Finance and the Ministry of Agriculture and Rural Affairs clearly proposed to carry out pilot projects for subsidies for the purchase and application of agricultural machinery, conduct regular informatization monitoring of operations, optimize the subsidy payment method, and take the operation volume as a prerequisite for the step-by-step payment of subsidies for the purchase and application of agricultural machinery, laying a foundation for the full implementation of the subsidy policy for the purchase and application of agricultural machinery. The policy aimed to promote the entry and exit of subsidized agricultural machinery, provide better subsidies for better machines, and promote the application of Beidou intelligent terminals in the field of agricultural production. It supports the implementation of pilot projects for the integrated research, development, manufacturing, promotion and application of agricultural machinery.

On April 30, 2024, the Implementation Opinions on Subsidies for the Purchase and Application of Agricultural Machinery from 2024 to 2026 issued by the Ministry of Finance and the Ministry of Agriculture and Rural Affairs clearly proposed to standardize the implementation of the subsidy policy for the purchase and application of agricultural machinery, give full play to the policy benefits, and promote the high-quality development of agricultural mechanization throughout the whole process and comprehensively. Support the broad masses of farmers and agricultural production and operation organizations to purchase and use advanced and applicable agricultural machinery, and orderly include more advanced and applicable agricultural machinery into the subsidy scope. The central financial subsidy for the purchase and application of agricultural machinery shall be implemented as a fixed-amount subsidy. The Ministry of Agriculture and Rural Affairs and the Ministry of Finance shall organize the formulation of the highest subsidy amount for general-purpose agricultural machinery within the national subsidy scope. Each province shall determine the subsidy amount for agricultural machinery within its subsidy scope according to no more than 30% of the average market sales price of products in the same category and grade in the previous year. Increase the subsidy amount for some key agricultural machinery, raising the calculation ratio from 30% to 35%.

On June 17, 2024, the Notice on Increasing Work Efforts to Continuously Implement the Subsidy Policy for the Retirement and Renewal of Agricultural Machinery issued by the Ministry of Finance and the Ministry of Agriculture and Rural Affairs clearly proposed to continuously implement the subsidy policy for the retirement and renewal of agricultural machinery, accelerate the structural adjustment of agricultural machinery, and improve the high-end, intelligent and green level of agricultural machinery. The central finance shall allocate funds from the subsidy for the purchase and application of agricultural machinery to implement the subsidy policy for the retirement and renewal of agricultural machinery, and provide appropriate subsidies for retirement of old agricultural machinery. The subsidy objects are farmers and agricultural production and operation organizations engaged in agricultural production. Agricultural production and operation organizations include rural collective economic organizations, specialized farmers' cooperative economic organizations, agricultural enterprises and other organizations engaged in agricultural production and operation.

III. LAWS AND REGULATIONS RELATED TO PRODUCTS

1. Installation and Maintenance

The Regulations on the Administration of Agricultural Machinery Maintenance (amended in 2019) issued by the former Ministry of Agriculture and the former State Administration for Industry and Commerce on May 10, 2006, stipulated that agricultural machinery maintenance services must be carried out in accordance with national and industry technical standards to ensure the maintenance quality and safety. Maintenance personnel must have professional qualifications to protect the legitimate rights and interests of the parties involved in agricultural machinery maintenance.

2. Intellectual Property Rights

Patent: The Patent Law of the People's Republic of China (amended in 2020) stipulates that a company may apply for invention, utility model or design patents according to the nature of relevant technical achievements. The term of an invention patent right is 20 years from the date of application, the term of a utility model patent right is 10 years from the date of application, and the term of a design patent right is 15 years from the date of application (for design patent rights applied for before June 1, 2021, the protection term is 10 years). For an invention completed by an employee in the performance of a task assigned by the employer or mainly using the employer's resources, the employer has the right to apply for a patent. Unless otherwise agreed between the employer and the employee, the employer shall be the patentee after the patent application is approved.

Trademark: The Trademark Law of the People's Republic of China (amended in 2019) stipulates that a company may register trademarks with the Trademark Office of the National Intellectual Property Administration. Registered trademarks include trademarks for goods, service marks, collective marks and certification marks. A registered trademark is valid for ten years from the date of approval of registration. If a registered trademark needs to be used continuously after the expiration of its validity period, it may be renewed every ten years. For a trademark application for registration, if the trademark is identical with or similar to a trademark that has been registered or preliminarily examined for the same kind of goods or services or for similar goods or services, the trademark registration application may be rejected. Any person applying for trademark registration shall not damage the existing prior rights of others, nor shall he/she preemptively register, by improper means, a trademark that has been used by others and has "a certain influence".

Domain Name: The Administrative Measures for Internet Domain Names stipulates that the Ministry of Industry and Information Technology is responsible for the supervision and management of domain name services nationwide. The communication administrative bureaus of all provinces shall supervise and manage the domain name services within their respective administrative regions. The principle of "first come, first served" shall be implemented for domain name registration services in principle. When a domain name registration service institution provides domain name registration services, it shall require the domain name registration applicant to provide the real, accurate and complete identity information of the domain name holder and other relevant information about domain name registration.

3. Product Quality and Product Liability

The Product Quality Law of the People's Republic of China (amended in 2018) issued by the Standing Committee of the National People's Congress on February 22, 1993, stipulated that producers and sellers must establish and improve an internal product quality management system, strictly implement the quality specifications, quality responsibilities and relevant assessment measures for each position. Product quality must pass standard inspections, and unqualified products shall not be used as standard products. Producers shall be responsible for the quality of their products and bear product quality responsibilities in accordance with the provisions of this law. If a product defect is caused by the fault of a product seller, the seller shall be liable to the user for any damage to any person or property caused by the relevant product. A victim who has suffered personal injury or property damage due to a product defect may claim compensation from the manufacturer of the product or from the seller of the product.

The Law of the People's Republic of China on the Protection of Consumers' Rights and Interests (amended in 2013) issued by the Standing Committee of the National People's Congress on October 31, 1993, aims to protect the rights of consumers when they purchase or use goods and receive services. All business operators must abide by this law when providing the goods they produce or sell and/or the services they provide to consumers. Consumers who have suffered personal injury or property damage due to production defects may obtain compensation from the seller or the producer in accordance with the law. After paying the compensation, the seller has the right to recover the losses from the liable producer.

The Regulations on the Safety Supervision and Management of Agricultural Machinery (amended in 2019) issued by the State Council on September 17, 2009, stipulated that agricultural machinery producers shall organize production in accordance with the industrial policies and relevant plans of the agricultural machinery industry and the safety technical standards of agricultural machinery, and establish and improve a quality assurance and control system.

The Measures for the Handling of Agricultural Machinery Accidents (amended in 2022) issued by the former Ministry of Agriculture on January 12, 2011, made detailed provisions on the definition, investigation, classification and handling of agricultural machinery accidents.

4. Work Safety

The Work Safety Law of the People's Republic of China (amended in 2021) issued by the Standing Committee of the National People's Congress on June 29, 2002, stipulated that production and operation entities must abide by relevant laws and regulations on work safety, strengthen work safety management, establish and improve work safety responsibility systems and relevant rules and regulations, improve work safety conditions, promote the standardization of work safety, improve the work safety level, and ensure work safety. Production and operation entities that do not meet the work safety conditions stipulated by the Work Safety Law of the People's Republic of China and relevant laws, administrative regulations and national or industrial standards shall not engage in production and operation activities.

5. Fire Protection

The Fire Control Law of the People's Republic of China (amended in 2021) issued by the Standing Committee of the National People's Congress on April 29, 1998, stipulated that the Ministry of Housing and Urban-Rural Development and its local departments shall, in accordance with the law, conduct fire protection design review, inspection, filing and spot check of the fire protection facilities of construction projects, and supervise the fire protection of construction projects. The fire rescue department shall, in accordance with the law, conduct supervision and inspection of the compliance of organs, organizations, enterprises and institutions with fire protection regulations.

IV. LAWS AND REGULATIONS RELATED TO ENVIRONMENTAL PROTECTION

The Company's production business must comply with the Environmental Protection Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, the Atmospheric Pollution Prevention and Control Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Environmental Noise Pollution and the Solid Waste Pollution Environment Prevention and Control Law of the People's Republic of China (hereinafter collectively referred to as the "Environmental Laws"). The environmental laws regulate various environmental matters, including air pollution, noise, sewage and waste discharge.

According to the Environmental Laws, all businesses that may cause environmental pollution and other public hazards must incorporate environmental protection measures into the Company's planning and establish a reliable environmental protection system. Such businesses must take effective measures to prevent and control the pollution degree and harm to the environment caused by waste gas, waste water, solid waste, dust, odorous gases, radioactive substances, noise, vibration and electromagnetic radiation generated in the processes of production, construction and other activities.

According to the Environmental Laws, the Company must conduct an environmental impact assessment before building production facilities and install pollution treatment facilities that meet relevant environmental standards, and treat pollutants before discharge.

V. REGULATIONS RELATED TO INTERNET INFORMATION SERVICE

Pursuant to the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) promulgated by the State Council on September 25, 2000 and revised on January 8, 2011 and December 6, 2024 and came into effect on January 20, 2025 and the Administration Measures for the Filing of Not-for-profit Internet Information Services (《非經營性互聯網信息服務備案管理辦法》) released on February 8, 2005 by the former Ministry of Information Industry, effective from March 20, 2005 and last revised on January 18, 2024, internet information services are classified into "for-profit internet information services" and "not-for-profit internet information services". The for-profit internet information service refers to service activities to provide information or website design to online users for profit; the not-for-profit internet information service refers to service activities to provide online users open, shared information on internet free of charge. The national government has installed the filing system for not-for-profit internet information service. Whoever intends to provide not-for-profit internet information service through the websites visited via internet domain names or through the websites which can only be visited via IP address within the territory of the PRC shall go through filing procedures in accordance with law. Such not-for-profit internet information service provider shall, when its website is available, display its filing number at the central part on the bottom of its home page and link the URL of the filing administration system of the Ministry of Industry and Information Technology of the PRC (the "**MIIT**"), below the filing number for consultation and check by the public. Furthermore, an annual review procedure is required for the not-for-profit internet information service provider to go through on the filing administration system of the MIIT at a specified time each year.

Mobile internet application is subject to monitoring by the Administrative Provisions on Mobile Internet Application Information Services (《移動互聯網應用程序信息服務管理規定》) promulgated by the Cyberspace Administration of China (the "**CAC**") on June 28, 2016 and amended on June 14, 2022 and such amendment took effect on August 1, 2022. Under these provisions, the application providers shall establish sound information content review and management mechanism by erecting and improving measures such as user registration, account management, information review, daily inspection and emergency disposal and be staffed with professionals and technical ability appropriate to the service scale. Moreover, the application providers shall not conduct acts such as false advertising and bundled downloading, nor shall they employ machine or manual click farming services for instantly boosting popularity in rankings, increasing quantity and control the ratings or use illegal and unhealthy information to induce users to download.

Pursuant to the Notice of the Ministry of Industry and Information Technology on the Record-filing of Mobile Internet Apps (《工業和信息化部關於開展移動互聯網應用程序備案工作的通知》), promulgated by the MIIT on July 21, 2023 and took effective on the same day, any APP sponsor that engages in Internet information services within the territory of the PRC shall go through the record-filing formalities in accordance with the Law of the People's Republic of China Against Telecommunications and Internet Frauds (《中華人民共和國反電信網絡詐騙法》), the Administrative Measures on Internet-based Information Services (《互聯網信息服務管理辦法》) and other regulations. Any APP sponsor that fails to complete the record-filing formalities shall not engage in APP Internet information services.

The Company's business includes Internet information services and operational e-commerce, and therefore must comply with the aforementioned laws and regulations related to Internet information service and cybersecurity.

VI. LAWS AND REGULATIONS RELATED TO INFORMATION AND CYBERSECURITY

The PRC government has proposed or promulgated a number of new measures and regulations in recent years regarding cybersecurity and data security. The Administrative Measures for the Hierarchical Protection of Information Security (《信息安全等級保護管理辦法》) promulgated by the Ministry of Public Security (the "**MPS**"), the State Secrecy Bureau, the State Cipher Code Administration and the former Information Office of the State Council on June 22, 2007, divide the security protection of information systems into five grades based on the degree of harm to national security and public interests caused by the destruction of the information system to the legitimate rights and interests of citizens, legal persons and other organisations, social public order and public interests and the national security and require the operators of information systems ranking Grade II or above to file an application with the local competent public security authorities for information systems already put into operation within 30 days since the date when its security protection grade was determined and for newly built information system of Grade II or above within 30 days since its information system is put into operation.

On July 1, 2015, the SCNPC issued the National Security Law of the PRC (《中華人民共和國國家安全法》), which came into effect on the same day. The National Security Law provides that the state shall build a network and information security guarantee system and improve network and information security protection capability to realise the controllability and security of the network information key technologies and critical infrastructure and the information systems and data in important fields. In addition, a national security review and supervision system is required to be established to review, among other things, foreign investment, special items and key technologies and network information technology products and services, construction projects involving national security matters and other important activities that affect or are likely to affect national security of the PRC. On November 7, 2016, the SCNPC promulgated the PRC Cybersecurity Law (《中華人民共和國網絡安全法》), which came into effect on June 1, 2017 and applies to the construction, operation, maintenance and use of networks as well as the supervision and administration of cybersecurity in China.

Network service providers who do not comply with the PRC Cybersecurity Law may be subject to correction orders, warnings, fines, suspension of their businesses, shutdown of their websites, and revocation of their business licenses. On June 10, 2021, the SCNPC promulgated the PRC Data Security Law (《中華人民共和國數據安全法》), which took effect on September 1, 2021. The PRC Data Security Law provides for data security obligations and duties on entities and individuals carrying out data processing activities. The PRC Data Security Law also introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, or illegally acquired or used. The appropriate level of protection measures is required to be taken according to respective data security protection grade. Violation of the PRC Data Security Law may be subject to an order to cease illegal activities, warnings, fines, suspension of business and revocation of business licenses or operating permits, and the personnel directly in charge or other directly responsible personnel may be imposed with fines.

On July 30, 2021, the State Council promulgated the Regulations on the Protection of the Security of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), which took effect on September 1, 2021. According to the regulations, a "critical information infrastructure" refers to an important network facility and information system in important industries and fields such as, among others, public communications and information services, as well as other important network facilities and information systems that may seriously endanger national security, the national economy, the people's livelihood, or the public interests in the event of damage, loss of function, or data leakage. The competent authorities shall inform the relevant operators in a timely manner if such operators are determined as the critical information infrastructure operators.

The Data Security Law of the People's Republic of China issued by the Standing Committee of the National People's Congress on June 10, 2021, establishes a data classification and grading protection system according to the importance of data in economic and social development and the degree of harm caused to China's security, public interests or the legitimate rights and interests of individuals and organizations in case of tampering, damage, leakage or illegal acquisition and illegal use of data. This law also stipulates that a security review procedure must be carried out for data activities that may affect China's security.

The Measures for the Cybersecurity Review (2021) jointly revised and issued by the Cyberspace Administration of China and 12 other Chinese regulatory authorities on December 28, 2021, stipulates that if the procurement of network products and services by operators of critical information infrastructure and the data processing activities carried out by network platform operators affect or may affect China's security, a cybersecurity review shall be carried out in accordance with the Measures for the Cybersecurity Review (2021). Where members of the cybersecurity review working mechanism believe that network products and services and data processing activities affect or are likely to affect national security, the Cybersecurity Review Office shall report to the Central Cyberspace Affairs Commission for approval as per procedure, and then conduct a review in accordance with the Cybersecurity Review Measures. The Cybersecurity Review Measures provide that the relevant parties who violate the Cybersecurity Review Measures shall be subject to legal consequences in accordance with the PRC Cybersecurity Law and the PRC Data Security Law.

On September 24, 2024, the State Council issued the Regulations on the Administration of Network Data Security (the Data Security Regulations), which applies to the relevant activities of data processing carried out through the network within the territory of China and the supervision and management of network data security, as well as some activities of processing domestic data outside China. The Data Security Regulations took effect on January 1, 2025. The Data Security Regulations provide more detailed guidelines on the current rules on various aspects of data processing, including the processors' announcement of data processing rules, obtaining consents and separate consents, security of important data and cross-border transfer of data, and further obligations of platform operators. The Data Security Regulations stipulate that data processors engaging in data processing activities that affect or may affect national security shall be subject to national security review in accordance with relevant laws and regulations. Furthermore, the Data Security Regulations do not include the article of "if a data processor's proposed listing in Hong Kong affect or may affect national security, the data processor shall apply for the cyber security review according to relevant laws and regulations" that as presented in the Administrative Regulations on Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》), which was promulgated by the CAC on November 14, 2021.

On December 8, 2022, the Ministry of Industry and Information Technology (MIIT) issued the Administrative Measures on Data Security in the Field of Industry and Information Technology (for Trial Implementation), which came into effect on January 1, 2023. The Measures set out detailed provisions on data classification and grading, data full lifecycle security management, and Data Security Monitoring, Early Warning and Emergency Management. According to the Measures, data in the industrial and information technology sector is categorized into three levels: general data, important data and core data. Data processors in the field of industry and information technology are required to identify their important data and core data in accordance with the identification standards issued by MIIT and submit the catalog of important data and core data to the relevant authorities for record-filing.

In the meantime, the PRC regulatory authorities have also enhanced the supervision and regulation on cross-border data transfer. On July 7, 2022, the CAC promulgated the Measures for the Security Assessment of Cross-Border Data Transfer (《數據出境安全評估辦法》), which took effect on September 1, 2022. These measures require the data processors providing data overseas and falling under specified circumstances apply for the security assessment of cross-border data transfer to the national cybersecurity authority through its local provincial counterpart. In addition, on February 22, 2023, the Provision on the Standard Contract on Cross-border Transfer of Personal Information (《個人信息出境標準合同辦法》) (the "**Provisions on Standard Contract**") were promulgated by the CAC, which took effect on

June 1, 2023. The provisions on Standard Contract attach the Standard Contract for cross-border transfer of personal information that could be used to satisfy one of the conditions for cross-border transfer of personal information under Article 38 of the Personal Information Protection Law.

The CAC implemented the Regulations on Promoting and Regulating Cross-Border Data Flow (《促進和規範數據跨境流動規定》) (the "**New Cross-Border Data Regulations**") on March 22, 2024. The New Cross-Border Data Regulations adjust the implementation of the data cross-border security assessment, standard contract administration on cross-border transfer of personal information, and personal information protection certification systems, which were previously issued by the Cyberspace Administration of China in the Measures for the Security Assessment of Cross-Border Data Transfer and the Provision on the Standard Contract on Cross-border Transfer of Personal Information. According to Article 3 of the New Cross-Border Data Regulations, data collected and generated in activities such as international trade, cross-border transportation, academic cooperation, transnational production and manufacturing, and marketing, which is provided overseas and does not contain personal information and important data, is exempt from the declaration of data cross-border security assessment, the conclusion of a standard contract for personal information cross-border transfer, and the personal information protection certification. According to Article 7 of the New Cross-Border Data Regulations, data processors who provide data overseas and meet one of the following conditions should apply for data cross-border security assessment to the national cyberspace authority through the provincial cyberspace administration where they are located: (i) operators of critical information infrastructure provide personal information or important data overseas; or (ii) data processors other than operators of critical information infrastructure provide important data overseas, or have provided personal information of more than 1 million people (excluding sensitive personal information) or more than 10,000 people of sensitive personal information overseas since January 1 of the current year.

The Company's business includes Internet information services and business e-commerce, and it should comply with the above-mentioned laws and regulations regarding information and network security.

VII. REGULATIONS RELATING TO PERSONAL INFORMATION PROTECTION

In recent years, PRC regulatory authorities have enacted laws and regulations on internet use to protect personal information from any unauthorised disclosure. The PRC Cybersecurity Law imposes certain data protection obligations on network operators, including that network operators may not disclose, tamper with, or damage the personal information that they have collected, or provide the personal information to others without obtaining consent from the persons whose information has been collected unless other required or permitted by applicable laws and regulations. Moreover, network operators are obligated to delete unlawfully collected information and to amend incorrect information.

On December 29, 2011, the MIIT issued the Several Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》), which took effect on March 15, 2012 and stipulates that internet information service providers may not collect any user personal information or provide any such information to third parties without the consent of the user, unless otherwise stipulated by laws and administrative regulations. An internet information service provider is also required to properly store users' personal information, and in case of any leak or any possibility of leak of the users' personal information, the internet information service provider must take immediate remedial measures and, when serious consequences have been caused or may be caused, make an immediate report to the telecommunications regulatory authority and cooperate with the relevant authorities in investigation.

Pursuant to the Decision on Strengthening the Protection of Online Information (《關於加強網絡信息保護的決定》), issued by the SCNPC in 2012, and the Order for the Protection of Telecommunication and Internet User Personal Information (《電信和互聯網用戶個人信息保護規定》), issued by the MIIT in 2013, any collection and use of a user's personal information must abide by the principles of legality, legitimacy and necessity, explicitly state the purpose, manners and scopes of the information collection and uses, obtain the consent of the user and shall not violate the provisions of laws, regulations and the agreement with the users. Any violation of these laws and regulations may subject the internet service provider to warnings, fines, confiscation of illegal gains, revocation of licenses, cancelation of filings, closedown of websites or even criminal liabilities.

Pursuant to the Notice of the Supreme People's Court, the Supreme People's Procuratorate and the Ministry of Public Security on Legally Punishing Criminal Activities Infringing upon the Personal Information of Citizens (《最高人民法院、最高人民檢察院、公安部關於依法懲處侵害公民個人信息犯罪活動的通知》) issued and effective on April 23, 2013 and the Interpretation of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues regarding Application of Law in Criminal Cases involving Infringing upon the Personal Information of Citizens (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》) issued on May 8, 2017 and took effect on June 1, 2017, the following activities may constitute the crime of infringing upon a citizen's personal information: (i) providing a citizen's personal information to specified persons or releasing citizens' personal information online or through other methods in violation of relevant national provisions; (ii) providing legitimately collected personal information of citizens to others without such citizen's consent (unless the information is processed, not identifiable to a specific person and not recoverable) in violation of relevant national provisions; (iii) collecting a citizen's personal information in violation of applicable rules and regulations when performing a duty or providing services; or (iv) collecting a citizen's personal information by purchasing, accepting or exchanging such information in violation of applicable rules and regulations. In addition, the Opinions of the Supreme People's Court, the Supreme People's Procuratorate, and the Ministry of Public Security on Several Issues Concerning the Application of Criminal Procedures in Handling of Criminal Cases Involving Information Networks (《最高人民法院、最高人民檢察院公安部關於辦理信息網絡犯罪案件適用刑事訴 訟程序若干問題的意見》), which took effect on September 1, 2022, further provide detailed procedures on facilitating the handling of criminal cases of (i) refusing to perform the obligation of managing the security of the information networks, (ii) illegally using the information networks, or (iii) assisting in the criminal activities of the information networks.

With respect to the security of information collected and used by mobile apps, and to protect the rights and interests of app users pursuant to the Announcement of Conducting Special Supervision against the Illegal Collection and Use of Personal Information by Apps (《關於開展App違法違規收集使用個人信息專項治理的公告》), which was issued by the Central Cyberspace Affairs Commission, the MIIT, the MPS, and the SAMR on January 23, 2019, app operators shall collect and use personal information in compliance with the PRC Cybersecurity Law and shall be responsible for the security of personal information obtained from users and take effective measures to strengthen personal information protection. Furthermore, app operators shall not force their users to make authorisation by means of default, bundling, suspending installation or use of the app or other similar means and shall not collect and use personal information in violation of laws, regulations or in breach of user agreements. Such regulatory requirements were emphasised by the Notice on the Special Rectification of Apps Infringing upon User's Personal Rights and Interests (《關於開展APP侵害用戶權益專項整治工作的通知》) issued by MIIT on October 31, 2019. On November 28, 2019, the CAC, the MIIT, the MPS and the SAMR jointly issued the Methods of Identifying Illegal Acts to Collect and Use Personal Information by APPs (《App違法違規收集使用個人信息行為認定方法》). This regulation further illustrates certain common illegal practices of app operators in terms of personal information protection and specifies acts of app operators that will be considered as "collection and use of personal information without users' consent".

On May 28, 2020, the NPC adopted the Civil Code of the PRC (《中華人民共和國民法典》), which came into effect on January 1, 2021. Pursuant to the Civil Code of the PRC, the personal information of a natural person shall be protected by the law. Any organisation or individual shall legally obtain such personal information of others when necessary and ensure the safety of such information, and shall not illegally collect, store, use, process or transmit personal information of others, or illegally buy or sell, provide or make public personal information of others.

On August 20, 2021, the SCNPC promulgated the PRC Personal Information Protection Law (《中華人民共和國個人信息保護法》), which took effect on November 1, 2021. Pursuant to the Personal Information Protection Law, "personal information" refers to any kind of information related to an identified or identifiable individual as electronically or otherwise recorded but excluding the anonymised information. The processing of personal information includes the collection, storage, use, processing, transmission, provision, disclosure and deletion of personal information. The Personal Information Protection Law applies to the processing of personal information of natural persons within the territory of the PRC, as well as personal information processing activities outside the territory of PRC, for the purpose of providing products or services to natural persons located within China, or for analysing or evaluating the behaviors of natural persons located within China, or for other circumstances as prescribed by laws and administrative regulations. A personal information processor may process the personal information of this individual only under the following circumstances: (i) where consent is obtained from the individual; (ii) where it is necessary for the execution or performance of a contract to which the individual is a party, or where it is necessary for carrying out human resource management pursuant to employment rules legally adopted or a collective contract legally concluded; (iii) where it is necessary for performing a statutory responsibility or statutory obligation; (iv) where it is necessary in response to a public health emergency, or for protecting the life, health or property safety of a natural person in the case of an emergency; (v) where the personal information is processed within a reasonable scope to carry out any news reporting, supervision by public opinions or any other activity for public interest purposes; (vi) where the personal information, which has already been disclosed by an individual or otherwise legally disclosed, is processed within a reasonable scope; or (vii) any other circumstance as provided by laws or administrative regulations. In principle, the consent of an individual must be obtained for the processing of his or her personal information, except under the circumstances of the aforementioned items (ii) to (vii). Where personal information is to be processed based on the consent of an individual, such consent shall be a voluntary and explicit indication of intent given by such individual on a fully informed basis. If laws or administrative regulations provide that the processing of personal information shall be subject to the separate consent or written consent of the individual concerned, such provisions shall prevail.

On February 12, 2025, the Cyberspace Administration of China (CAC) issued the Administrative Measures for Personal Information Protection Compliance Audits, which will come into effect on May 1, 2025. For the purpose of these Measures, the term "Personal Information Protection Compliance Audit" refers to the supervision activities that examine and evaluate whether the personal information processing activities of personal information processors comply with laws and administrative regulations. Any personal information processer processing the personal information of more than 10 million people shall carry out the personal information protection compliance audits at least once every two years.

VIII. LAWS AND REGULATIONS RELATED TO LABOR PROTECTION AND SOCIAL SECURITY

China has a large number of labor and safety regulations, including the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Regulations on Work-Related Injury Insurance, the Regulations on Unemployment Insurance, the Trial Measures for Maternity Insurance for Enterprise Employees, the Interim Measures for the Administration of Social Insurance Registration, the Interim Regulations on the Collection and Payment of Social Insurance Premiums, and other relevant regulations, rules and provisions issued from time to time by relevant government agencies in China.

The Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China stipulate that an employer and an employee must sign a written labor contract to establish an employment relationship. The wage shall not be lower than the local minimum wage standard. The employer must establish a labor safety and hygiene system, strictly abide by Chinese standards, and provide relevant education to employees. The employer must also provide its employees with a safe and hygienic working environment in line with national regulations, and conduct regular health checks on employees engaged in hazardous work.

The Regulations on Work-Related Injury Insurance, the Trial Measures for Maternity Insurance for Enterprise Employees, the Social Insurance Law of the People's Republic of China, the Interim Regulations on the Collection and Payment of Social Insurance Premiums and the Interim Measures for the Administration of Social Insurance Registration stipulate that employers must pay social insurance for Chinese employees, including basic endowment insurance, unemployment insurance, maternity insurance, work-related injury insurance and basic medical insurance.

IX. LAWS AND REGULATIONS RELATED TO TAXATION

1. Enterprise Income Tax: The Enterprise Income Tax Law of the People's Republic of China and the Implementation Regulations of the Enterprise Income Tax Law of the People's Republic of China are the main laws and regulations for prescribing and managing enterprise income tax in China. According to the Enterprise Income Tax Law and the Implementation Regulations of the Enterprise Income Tax Law, enterprises are divided into resident enterprises and non-resident enterprises. A resident enterprise refers to an enterprise established within the territory of China in accordance with the law, or an enterprise established in accordance with the laws of a foreign (regional) country but with its actual management institution within the territory of China. A non-resident enterprise refers to an enterprise established in accordance with the laws of a foreign (regional) country and with its actual management institution not within the territory of China, but which has established an establishment or place within the territory of China, or an enterprise that has not established an establishment or place within the territory of China but has income sourced from within the territory of China. An enterprise income tax rate of 25% applies to all resident enterprises and non-resident enterprises that have established an establishment or place within the territory of China, and the relevant income of such non-resident enterprises is sourced from the establishment or place they have established within the territory of China, or although it is sourced from outside China, it has a real connection with the establishment or place they have established within the territory of China. The enterprise income tax of high-tech enterprises that need key support in China is reduced to a tax rate of 15%. Non-resident enterprises that have not established an establishment or place within the territory of China, or have established an establishment or place but the income of the above-mentioned enterprises has no real connection with the established establishment or place, must pay enterprise income tax at the rate of 10% on their income sourced from within the territory of China.

2. Value-Added Tax: According to the Announcement on Relevant Policies for Deepening the Reform of Value-Added Tax (Announcement No. 39 of 2019 of the Ministry of Finance, the State Taxation Administration, and the General

Administration of Customs of the People's Republic of China), since April 1, 2019, for agricultural machinery products, when a general VAT taxpayer conducts VAT taxable sales activities or imports goods, the tax rate is reduced to 9%. According to the Notice of the Ministry of Finance and the State Taxation Administration on the Policy of Exempting and Levying Value-Added Tax on Certain Agricultural Means of Production (Caishui [2001] No. 113), the wholesale and retail of agricultural machinery are exempt from value-added tax. According to the Announcement on the Policy of Additional Deduction of Value-Added Tax for Advanced Manufacturing Enterprises (Announcement No. 43 of 2023 of the Ministry of Finance and the State Taxation Administration), from January 1, 2023 to December 31, 2027, advanced manufacturing enterprises are allowed to deduct 5% of the current deductible input tax amount to offset the payable value-added tax amount.

X. LAWS AND REGULATIONS RELATED TO OVERSEAS LISTING OF DOMESTIC ENTERPRISES

On February 17, 2023, the China Securities Regulatory Commission (CSRC) issued the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies, the Notice on the Arrangement of the Filing Management for Overseas Issuance of Securities and Listing by Domestic Enterprises and the corresponding guidelines (collectively referred to as the "Filing Measures").

According to the Filing Measures, Chinese domestic enterprises that issue securities overseas directly or indirectly or list their securities for trading overseas must file with the CSRC within three working days after submitting the listing application documents to the relevant regulatory authorities of the intended listing place. When a domestic enterprise issues securities overseas directly or lists its securities for trading overseas, it means that a joint stock limited company registered within the territory of China issues securities overseas or lists its securities for trading overseas. When a domestic enterprise issues securities overseas indirectly or lists its securities for trading overseas, it means that an enterprise whose main business operations are within the territory of China, in the name of an overseas enterprise, issues securities overseas or lists securities for trading overseas based on the equity, assets, earnings or other similar rights and interests of the domestic enterprise. The determination of the overseas indirect listing of a domestic enterprise should be based on substance over form.

XI. LAWS AND REGULATIONS RELATED TO THE FULL CIRCULATION OF H-SHARES

"Full circulation of H-shares" refers to the listing and circulation of the unlisted shares within China of an H-share listed company (including the unlisted domestic shares held by domestic shareholders before overseas listing, the unlisted domestic shares issued additionally within China after overseas listing, and the unlisted shares held by foreign shareholders) on the Stock Exchange of Hong Kong.

On November 14, 2019, the CSRC promulgated the Business Guidelines for the Application of Unlisted Shares within China of H-share Companies for "Full Circulation" (amended in 2023) (referred to as the "Full Circulation" Business Guidelines for short). According to the "Full Circulation" Business Guidelines, on the premise of complying with relevant laws and regulations and policy requirements such as state-owned asset management, foreign investment and industry supervision, shareholders of unlisted shares within China may independently negotiate to determine the quantity and proportion of shares applied for circulation, and entrust the H-share listed company to submit an application for "full circulation". On December 31, 2019, China Securities Depository and Clearing Corporation Limited ("China Clear") and the Shenzhen Stock Exchange jointly promulgated the Implementation Rules for the "Full Circulation" Business of H-shares ("Implementation Rules" for short). The Implementation Rules shall apply to the relevant businesses involved in the "Full Circulation" business of H-shares, such as cross-border transfer registration, custody and maintenance of holding details, trading entrustment and instruction transmission, settlement, settlement participant management, and nominal holder services.

In order to comprehensively promote the reform of the "full circulation" of H-shares and clarify the business arrangements and handling procedures for the registration, custody, settlement and delivery of relevant shares, in February 2020, China Securities Depository and Clearing (Hong Kong) Limited ("China Clear (Hong Kong)") promulgated the Business Guidelines for the "Full Circulation" of H-shares of China Securities Depository and Clearing (Hong Kong) Limited, specifying relevant matters such as custody, depository services, the agent services of China Clear (Hong Kong), settlement arrangements and other related matters. On September 20, 2024, the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited issued the Business Guidelines for the "Full Circulation" of H-shares of the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, specifying matters such as business preparation, account arrangement, cross-border share transfer registration and overseas centralized custody.

XII. LAWS AND REGULATIONS RELATED TO ANTI-UNFAIR COMPETITION AND ANTI-MONEY LAUNDERING

1. Anti-Unfair Competition: The Anti-Unfair Competition Law of the People's Republic of China (amended in 2019) issued by the Standing Committee of the National People's Congress on September 2, 1993, stipulates that unfair competition acts refer to acts of business operators in production and business activities that violate the provisions of the Anti-Unfair Competition Law, disrupt the market competition order, and damage the legitimate rights and interests of other business operators or consumers. According to the Anti-Unfair Competition Law, business operators must abide by the principles of voluntariness, equality, fairness and good faith when conducting market transactions, and uphold laws and business ethics. If a business operator violates the provisions of the Anti-Unfair Competition Law, it shall bear relevant civil liabilities, administrative liabilities and criminal liabilities according to specific circumstances.

2. Anti-Money Laundering: The Anti-Money Laundering Law of the People's Republic of China (amended in 2024) which came into effect on January 1, 2007, stipulates that anti-money laundering refers to the act of taking relevant measures in accordance with the provisions of the Anti-Money Laundering Law to prevent the money laundering activities of concealing and disguising the sources and natures of the proceeds and their benefits from crimes such as drug-related crimes, crimes of organizations in the nature of underworld syndicates, terrorist activities crimes, smuggling crimes, crimes of corruption and bribery, crimes of disrupting financial management order, and financial fraud crimes through various means. Any entity or individual who discovers money laundering activities has the right to report it to the anti-money laundering administrative department in charge or the public security organ. The organ accepting the report shall keep the informant and the reported content confidential.

OVERVIEW

We are a leading provider of integrated smart agriculture solutions in China. Our history can be traced back to 2004 when our Company was established as a joint stock company in the PRC under the name of Shandong Futian Heavy Industry Co., Ltd. (山東福田重工股份有限公司). After a series of share transfers and capital increases, our Company was held as to approximately 61.10% by Weichai Power and 27.26% by Weichai Holdings, each a Controlling Shareholder of our Company, as of the Latest Practicable Date. See "— Corporate Development" for the details of equity transfers and capital increases. In August 2022, our Company was renamed as Weichai Lovol Intelligent Agricultural Technology Co., Ltd. (濰柴雷沃智慧農業科技股份有限公司) to focus on the agriculture machinery products and smart agriculture services related business.

Over the past two decades, we have cultivated integrated smart agriculture solutions that combine advanced full-suite intelligent agricultural machinery with smart agriculture systems to support the full agricultural production cycle. Our business is anchored in two core pillars: (i) full-suite intelligent agricultural machinery products, including tractors, harvesting machines and agricultural implements that span the entire modern agricultural production cycle, covering field preparing, planting, field management, harvesting, straw handling and grain drying, with a focus on high-end, intelligent agricultural machinery, addressing the challenges of "who to farm"; and (ii) smart agriculture services, with real-time operation data captured by agricultural machinery at their core, integrated IoT, AI and big data technologies to deliver a comprehensive understanding of soil, crop and environmental conditions. By applying AI-driven analytics, the system generates precise, data-backed recommendations and directs intelligent agricultural machinery to carry out coordinated, precision tasks, boosting productivity and improving quality, eventually addressing the challenges of "how to farm scientifically."

The [**REDACTED**] constitutes a [**REDACTED**] of our Group from Weichai Power under Practice Note 15 to the Listing Rules. The proposal in relation to the [**REDACTED**] was submitted by Weichai Power to the Stock Exchange for approval pursuant to Practice Note 15 to the Listing Rules and the Stock Exchange has confirmed that Weichai Power may proceed with the [**REDACTED**]. For further details of the [**REDACTED**], please see "— [**REDACTED**] of our Group from Weichai Power" in this section below.

OUR KEY MILESTONES

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

Year	Milestone
2004	Our Company was established with a focus on the agricultural machinery related business.

Year	Milestone
2006	We cooperated with the Ministry of Agriculture to establish a national information service center for three-summer inter-area operations.
2007	We were recognized as National Key High-Tech Enterprise (國家重點高新技術企業).
2010	We have established a comprehensive production capacity of 200,000 units of agricultural machinery.
	Our laboratory was included in the first batch of Shandong Provincial Key Laboratories (首批山東省重點實驗室).
2012	We established our power transmission business to further enhance the R&D and manufacturing capabilities of our core parts and components.
2016	We were recognized as Top 500 most valuable brand in China (中國500最具價值品牌) by World Brand Lab (世界品牌實驗室).
2017	Our tractor was rewarded Red Dot Design Award (紅點設計獎)
	Our grain combine harvesting machinery were firstly successfully recognized by the MIIT and the CFIE as one of the first batch of "Manufacturing Single Champion Products (製造業單項冠軍產品)" to pass the reassessment at the first time.
2018	We were recognized as National Industrial Design Center (國家級工業設計中心).
	We were awarded the Outstanding Contribution Award for China's Agricultural Machinery Industry (40 Years of Reform and Opening-Up) (改革開放四十年中國農機工業傑出貢獻獎).
2021	We formally joined the Weichai Group.
	We launched our Tractor P7000, which is the first commercialized CVT intelligent high-horsepower tractor in the PRC.
	We participated in the "Beidou-based Automatic Navigation System for Agricultural Machinery (關於北斗的農業機械自動導航)" project, which was awarded the National Second Prize of Science and Technology Progress Award (國家科學技術進步獎二等獎).

Year	Milestone
2022	We introduced strategic shareholders, implemented the employee incentives, disposed the business not relating to agricultural machinery and streamlined our corporate structure.
2023	We were awarded the First Prize of Shandong Province Science and Technology Progress Award in 2023 (2023年度山東省科學技術進步獎一等獎) by Shandong Provincial People's Government.
	We were recognized as the National Green Factory in the PRC (國家綠色工廠).
	We commenced the construction of Intelligent Tractor Manufacturing Hub.
	We launched first CVT Full Scene Solutions in the PRC.
2024	We were shortlisted as Shandong Premium (好品山東).
	We were selected as "2024 Top 100 Most Beloved Chinese Brands (2024點讚我喜愛的中國品牌)", being the only agricultural machinery brand to be included.
2025	Our Intelligent Tractor Manufacturing Hub being the first smart factory in agricultural machinery industry in the PRC, was put into production.

ESTABLISHMENT AND DEVELOPMENT OF OUR COMPANY

(1) Establishment of our Company

Our Company was established as a joint stock company under the laws of the PRC on September 17, 2004 under the name of Shandong Futian Heavy Industry Co., Ltd. (山東福田重工股份有限公司) with an initial registered capital of RMB350 million. Upon establishment, our Company was held by Matmark Industrial Group Co., Ltd. (馬特馬克工業集團有限公司) ("**Matmark Group**"), as to 59.15%, Weifang Investment Group Co., Ltd. (濰坊市投資集團有限公司) ("**Weifang Investment**") as to 25.71%, Qingte Group Co., Ltd. (青特集團有限公司) ("**Qingte Group**") as to 8.57%, Weichai Power as to 5.71%, and CITIC Electromechanical Cheqiao Co., Ltd. (中信機電車橋有限責任公司) ("**CITIC Cheqiao**") as to 0.86%, respectively.

From December 2006 to April 2011, our Company went through several rounds of share transfers and capital increases. Upon completion of such share transfers and capital increases, the registered capital of our Company was increased to RMB431,820,000 and the shareholding structure of our Company was as follows:

Shareholders	Registered capital subscribed for	percentage of shareholding
	(RMB)	*(%)*
Matmark Group	315,820,000	73.15
Weifang Investment	90,000,000	20.84
Tianjin Lovol	20,000,000	4.63
Qingte Group	3,000,000	0.69
CITIC Cheqiao	3,000,000	0.69
Total	**431,820,000**	**100.00**

(2) Share transfer in July 2011 and profit distribution in September 2015

In July 2011, Matmark Group transferred its RMB315,820,000 registered capital, representing approximately 73.15% shareholding interests of our Company to Tianjin Lovol as its consideration paid for the capital contribution in Tianjin Lovol, amounting to RMB1,919,052,632 increased registered capital of Tianjin Lovol.

Pursuant to a profit distribution plan approved by the Shareholders' general meeting on August 29, 2015, we declared dividends and paid to our Shareholders comprising a cash dividend of RMB1.00 and 18 bonus shares per 10 existing Share for all Shareholders. As a result, the registered capital of our Company was increased to RMB1,209,096,000.

(3) Share transfers from August 2019 to December 2020

In August 2019, pursuant to an approval issued by Shandong SASAC, Weifang Investment, a company controlled by Weifang SASAC, transferred all its RMB252,000,000 registered capital, representing approximately 20.84% shareholding interests, in our Company to Weichai Holdings, a company ultimately controlled by Shandong SASAC, at nil consideration.

In March 2020, CITIC Machinery Manufacturing Inc. (中信機電製造集團有限公司) ("**CITIC Machinery**") and CITIC Cheqiao, entered into a Shanghai Assets and Equity Exchange Contract (上海市產權交易合同) through the Shanghai United Assets and Equity Exchange (上海聯合產權交易所), pursuant to which CITIC Cheqiao transferred its 0.69% shareholding interest in our Company to CITIC Machinery, at the consideration of RMB17,874,380, which was determined with reference to the valuation of our Company's equity interests as appraised by an independent valuer.

In December 2020, Weichai Holdings further acquired the RMB473,457,600 registered capital, representing approximately 39.16% shareholding interests, in our Company from Tianjin Lovol at a consideration of RMB1,267,600,000, which was determined with reference to the valuation of our Company's equity interests as appraised by an independent valuer. Upon completion of the above share transfers, the shareholding structure of our Company was as follows:

Shareholders	**Registered capital subscribed for**	**percentage of shareholding**
	(RMB)	*(%)*
Weichai Holdings	725,457,600	60.00
Tianjin Lovol	466,838,400	38.62
Qingte Group	8,400,000	0.69
CITIC Machinery	8,400,000	0.69
Total	**1,209,096,000**	**100.00**

(4) Acquisition by Weichai Power from July 2021 to June 2022

In July 2021, to streamline the shareholding of our Company, Weichai Power acquired RMB466,838,400 and RMB8,400,000 registered capital, representing approximately 38.62% and 0.69% shareholding interests, respectively, in our Company from Tianjin Lovol and Qingte Group, each an Independent Third Party, at a consideration of RMB968,199,700 and RMB17,298,200, respectively, which was determined with reference to the valuation of our Company's equity interests as appraised by an independent valuer.

In June 2022, Weichai Power further acquired RMB274,401,120 registered capital, representing approximately 22.69% shareholding interest, in our Company from Weichai Holdings at a consideration of RMB1,584,461,400, which was also determined with reference to the valuation of our Company's equity interests as appraised by an independent valuer.

Upon completion of the acquisitions by Weichai Power, our Company was owned by Weichai Power, Weichai Holdings and CITIC Machinery as to 62%, 37.31% and 0.69%, respectively.

(5) Corporate Separation in August 2022

In order to streamline the business of our Company to focus on the agricultural machinery and smart agriculture related business, on August 29, 2022, we went through a corporate separation, pursuant to which (i) we have been separated into three separate companies (the "**Corporate Separation**"), with the establishment of two new companies (namely Shandong Wuxing Vehicles Co., Ltd. (山東五星車輛股份有限公司, "**Shandong Wuxing**") and Shandong Qixing Machinery Manufacture Co., Ltd. (山東啟星機械製造股份有限公司, "**Shandong Qixing**"), while our Company remained in existence; and (ii) we applied the proportional ownerships of then shareholders in our Company to the shareholdings in Shandong Wuxing and Shandong Qixing. Upon completion of the Corporate Separation, each of our Company, Shandong Wuxing, and Shandong Qixing is held as to approximately 62.00% by Weichai Power, approximately 37.31% by Weichai Holdings, and approximately 0.69% by CITIC Machinery, respectively. No consideration has been paid or is payable by the relevant parties in respect of the Corporate Separation. For further details, see "— Major Acquisitions, disposals and mergers" below.

(6) Capital increase and share transfers for employee incentives in September 2022

In order to reward the contributions of and incentivize our employees, in September 2022, we issued 16,666,606 Shares to 135 then employees of our Company at a consideration of RMB8.25 per Share. Such consideration was determined with reference to the valuation of our Company's equity interests as appraised by an independent valuer. As such, the registered share capital of our Company was increased to RMB1,145,762,606. Subsequently, certain then employees transferred their respective shareholding interests in our Company to other current employees of our Company due to their work relocation from the Company.

(7) Share transfers in November 2022

In November 2022, Weichai Holdings publicly traded its RMB108,850,000 registered share capital in our Company on the Shandong Property Rights Exchange Center to six strategic shareholders, each an Independent Third Party, at a total consideration of RMB909,986,000. No special rights were granted to any of such strategic shareholders with respect to their subscription of Shares of the Company. Such consideration was determined with reference to the valuation of our Company's equity interests as appraised by an independent valuer. The details of such share transfers are set out below:

Transferor	Transferee	Registered share capital subscribed for	Consideration	Date of settlement	Percentage of shareholding
		RMB	*RMB*		*%*
Weichai Holdings . .	Central SOEs Industrial Investment Fund for Rural Area Co., Ltd. (中央企業鄉村產業投資基金股份有限公司) ("**Central SOEs Fund**")	35,884,750	RMB299,996,510	November 22, 2022	3.13
	Luxin New Kinetic Energy Zhinong (Jinan) Venture Capital Partnership (Limited Partnership) (魯信新動能智農(濟南)創業投資合夥企業(有限合夥)) ("**Luxin Zhinong**")	27,511,500	RMB229,996,140	November 22, 2022	2.40
	Jilin Province Zhongmin Innovation Investment Partnership (Limited Partnership) (吉林省中民創新投資合夥企業(有限合夥)) ("**Zhongmin Innovation**")	14,353,800	RMB119,997,768	November 22, 2022	1.25

Transferor	Transferee	Registered share capital subscribed for	Consideration	Date of settlement	Percentage of shareholding
		RMB	*RMB*		%
	Beijing Kentuo Equity Investment Fund Partnership (Limited Partnership) (北京墾拓股權投資基金合夥企業(有限合夥)) ("**Kentuo Fund**")	11,961,500	RMB99,998,140	November 22, 2022	1.04
	Wuxi Huawo Venture Capital Partnership (Limited Partnership) (無錫華沃創業投資合夥企業(有限合夥)) ("**Wuxi Huawo**")	11,961,500	RMB99,998,140	November 22, 2022	1.04
	Underdeveloped Areas Industrial Development Fund Co., Ltd. (欠發達地區產業發展基金有限公司) ("**Underdeveloped Areas Fund**")	7,176,950	RMB59,999,302	November 22, 2022	0.63

As of Latest Practicable Date, the shareholding structure of our Company was as follows:

Shareholders	Shares held in our Company	Percentage of Shareholding
		(%)
Weichai Power	700,039,520	61.10
Weichai Holdings	312,362,267	27.26
Central SOEs Fund[Note]	35,884,750	3.13
Underdeveloped Areas Fund[Note]	7,176,950	0.63
Luxin Zhinong	27,511,500	2.40
Zhongmin Innovation	14,353,800	1.25
Kentuo Fund	11,961,500	1.04
Wuxi Huawo	11,961,500	1.04
CITIC Machinery	7,844,213	0.69
Employee Shareholders	16,666,606	1.45
Total	**1,145,762,606**	**100**

Note:

Both Central SOEs Fund and Underdeveloped Areas Fund are managed by SDIC Chuangyi Industry Fund Management Co., Ltd. (國投創益產業基金管理有限公司), a state-owned fund management company.

OUR MAJOR SUBSIDIARIES

During the Track Record Period and as of the Latest Practicable Date, our major operations are mainly conducted through our Company itself and we do not have any major subsidiaries which had made a material contribution to our results of operation during the Track Record Period.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

In June 2022 and September 2022, in the effort of streamlining our core businesses, we entered into an agreement with Shandong Heavy Industry and Weichai Holdings, respectively, to dispose 100% of our equity interest in Huiyin Jintong Financing Guarantee Company Limited (匯銀金通融資擔保有限公司) ("**Huiyin Guarantee**"), which is principally engaged in the guarantee business, at the consideration of RMB510.69 million. The consideration for the disposal was determined after arm's length negotiations between our Company and Weichai Holdings, with reference to the valuation of the equity interests of Huiyin Guarantee as of December 31, 2021 as appraised by an independent valuer. Upon completion of the disposal, we no longer held equity interests in Huiyin Guarantee and ceased to consolidate its financial results since June 15, 2022. Such disposal was settled on December 29, 2022. See Note 37 to Appendix I to this document for financial impact of the disposal on the Company. As advised by our PRC Legal Adviser, the aforementioned transaction has been properly and legally completed and all relevant approvals required from the relevant PRC authorities have been obtained.

In August 2022, in the effort of streamlining our business and focusing on our core business of agricultural machinery and smart agriculture related business, we completed the Corporate Separation, pursuant to which we have been separated into three separate companies through disposal of our business not related to agricultural machinery into two newly established companies, namely Shandong Wuxing and Shandong Qixing. No consideration has been paid or is payable by the relevant parties in respect of the Corporate Separation. Upon completion of the Corporate Separation, the operations relating to the agricultural machinery has been retained by our Group, while the three-wheeled vehicle business has been separated from our Group to Shandong Wuxing and other businesses not related to core business of our Group have been disposed to Shandong Qixing. Specifically, 67% equity interests of Heilongjiang Weichai Lovol Beidahuang Agricultural Equipment Co., Ltd. (黑龍江濰柴雷沃北大荒農業裝備有限公司) ("**Lovol Beidahuang**") previously held by us were also disposed to Shandong Qixing. Upon the completion of the Corporate Separation, each of our Company, Shandong Wuxing, and Shandong Qixing was held as to approximately 62.00% by Weichai Power, approximately 37.31% by Weichai Holdings, and approximately 0.69% by CITIC Machinery, respectively. See "Financial Information — Discontinued Operations" and Note 12 to Appendix I to this document for financial impact of the disposal on the Company. As advised by our PRC Legal Adviser, the aforementioned transaction has been properly and legally completed and all relevant approvals required from the relevant PRC authorities have been.

Saved as above, we had not carried out any major acquisitions, disposals or mergers during the Track Record Period and up to the Latest Practicable Date.

PUBLIC FLOAT

[**REDACTED**] Domestic [**REDACTED**] Shares (representing approximately [**REDACTED**]% of our total issued Shares upon [**REDACTED**], assuming the [**REDACTED**] is not exercised) will not be considered as part of the public float as such Domestic [**REDACTED**] Shares will not be converted into H Shares.

Among the [**REDACTED**] H Shares to be converted from Domestic [**REDACTED**] Shares pursuant to the Full Circulation Application of the Company and [**REDACTED**] on the Stock Exchange:

(a) the [**REDACTED**] H Shares (representing approximately [**REDACTED**]% of our total issued Shares upon [**REDACTED**], assuming the [**REDACTED**] is not exercised) will not be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the [**REDACTED**] as such Shares are being held by our core connected persons; and

(b) the [**REDACTED**] H Shares (representing approximately [**REDACTED**]% of our total issued Shares upon [**REDACTED**], assuming the [**REDACTED**] is not exercised) will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the [**REDACTED**] as these entities are not core connected persons of our Company upon [**REDACTED**] nor are they accustomed to take instructions from the Company's core connected persons in relation to the acquisition, disposal, voting or other disposition of their Shares and their acquisition of Shares were not financed directly or indirectly by the Company's core connected persons.

Taking into account the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), [**REDACTED**] Shares, representing [**REDACTED**]% of our total issued Shares upon [**REDACTED**], will be counted towards to the public float of our Company according to Rule 8.08 of the Listing Rules.

LOCK-UP PERIOD

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

[REDACTED] OF OUR GROUP FROM WEICHAI POWER

The directors of Weichai Power consider that the [**REDACTED**] and [**REDACTED**] of Weichai Lovol on the Stock Exchange is consistent with the governmental policies in improving core competitiveness of state-owned assets and enhancing international influence. The [**REDACTED**] will enable the Group to take advantage of the opportunities of capital markets reformation, and will provide the Group with direct access to capital markets, diversifying our financing channels and improving our operational capability, thereby bringing stable return to our investors and contributing to our sustainable development. In addition, the [**REDACTED**] is expected to enhance the influence of the Group over the market and strengthen our competitive advantages and position in the market, which, in turn, will contribute to the Group's aim in building a global leading brand within the intelligent agriculture technology industry.

The [**REDACTED**], if proceeded, will not constitute a discloseable transaction of Weichai Power. As required under applicable PRC laws and regulations, the approval of the shareholders of Weichai Power for the [**REDACTED**] was obtained at the extraordinary general meeting of Weichai Power held on May 20, 2025 (the "**Weichai Power Shareholder Meeting**").

The proposal in relation to the [**REDACTED**] was submitted by Weichai Power to the Stock Exchange for approval pursuant to Practice Note 15 to the Listing Rules and the Stock Exchange has confirmed that Weichai Power may proceed with the [**REDACTED**]. The [**REDACTED**] by Weichai Power complies with the requirements of Practice Note 15 of the Listing Rules ("**Practice Note 15**"). Practice Note 15 requires Weichai Power to have due regard to the interests of its existing shareholders by providing them with an [**REDACTED**] to the Shares, either by way of a distribution in specie of existing Shares or by way of a preferred [**REDACTED**] in the [**REDACTED**] of existing or new Shares [**REDACTED**]. Practice Note 15 provides that the minority shareholders of Weichai Power may by resolution in general meeting resolve to waive the [**REDACTED**].

At the Weichai Power Shareholder Meeting, Weichai Power put forward a proposal to the Weichai Power shareholders' meeting, the Weichai Power A shareholders' class meeting and the Weichai Power H shareholders' class meeting to approve the provision of the [**REDACTED**] to Shares to the Weichai Power H shareholders only. This is because due to the provisions of certain PRC laws and regulations, Weichai Power is restricted from providing the [**REDACTED**] to all Weichai Power A shareholders. In addition, due to the restrictions on profit distribution under PRC law and the articles of association of Weichai Power, Weichai Power will not be able to, by way of distribution in specie, distribute the Shares to the Weichai Power shareholders in order to provide them with the [**REDACTED**].

At such Weichai Power shareholders' class meetings, the resolution to approve the provision of the [**REDACTED**] to the Weichai Power H shareholders only was approved by the Weichai Power shareholders and the Weichai Power H shareholders but was not approved by the Weichai Power A shareholders. As a result, the [**REDACTED**] to the Shares in the [**REDACTED**] will not be provided to any Weichai Power shareholders.

PRC REGULATORY REQUIREMENTS

Our PRC Legal Advisors have confirmed that the aforesaid capital increases and equity transfers have complied with all applicable PRC laws and regulations in all material respects.

PREVIOUS CHINEXT APPLICATION AND APPLICATION FOR [REDACTED] ON THE HONG KONG STOCK EXCHANGE

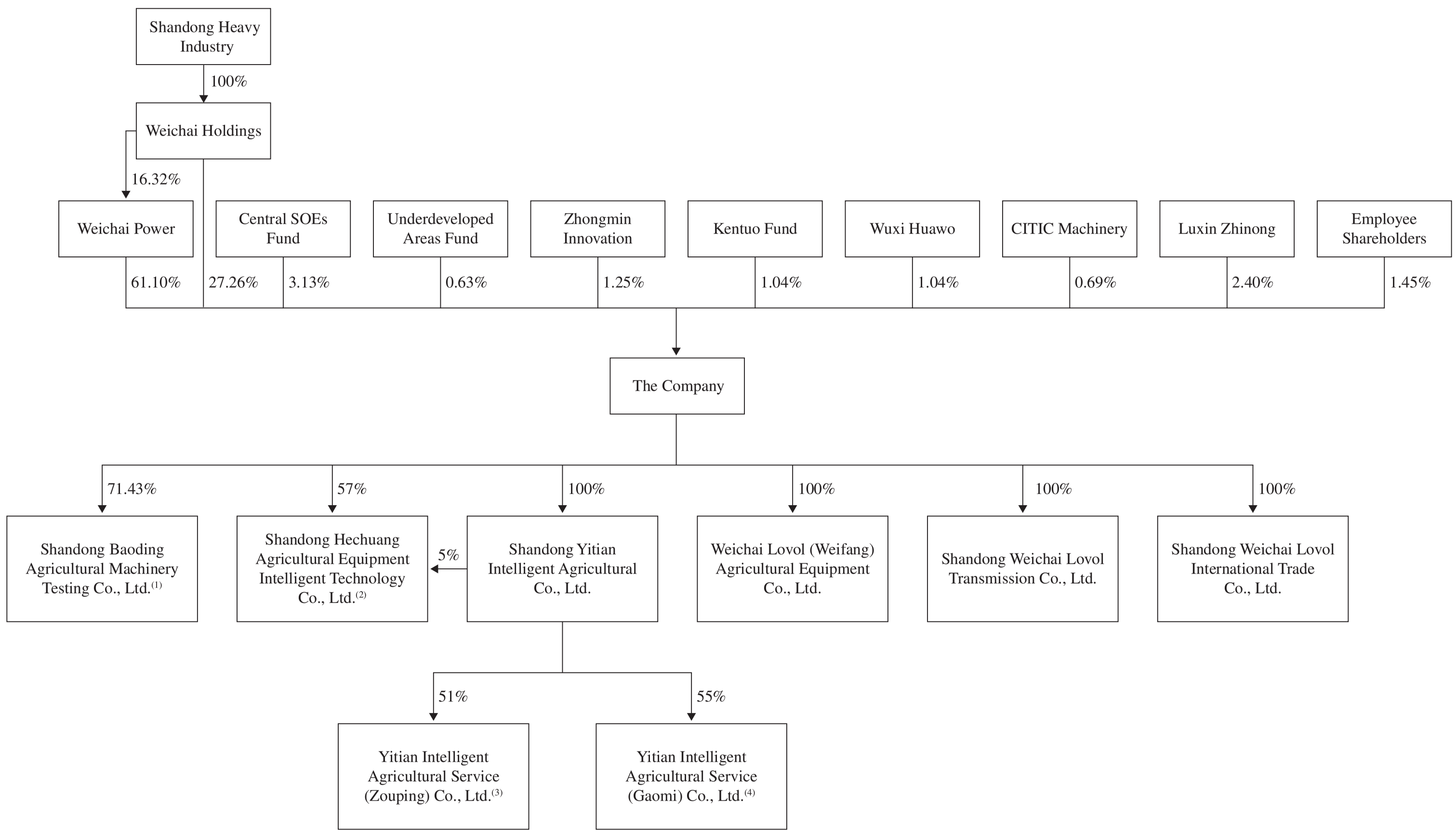
To explore the opportunity of establishing a capital market platform, we applied for the [**REDACTED**] of our Shares on the growth enterprise board (ChiNext board) of the Shenzhen Stock Exchange in March 2023 (the "**Previous ChiNext Application**"). Nevertheless, given the then market conditions, we decided to voluntarily withdraw our Previous ChiNext Application in April 2024. Our Directors are not aware of any matters relating to the Previous ChiNext Application which may affect the Company's suitability for [**REDACTED**] and should be brought to the attention of the Stock Exchange and our Shareholders. Based on the independent due diligence work conducted by the Sole Sponsor, nothing has come to the Sole Sponsor's attention that would reasonably cause the Sole Sponsor to cast doubt on the Directors' view above.

We consider Hong Kong a suitable venue for the [**REDACTED**] as our businesses and operations principally located, managed and conducted in the PRC, and a [**REDACTED**] in Hong Kong will not only contribute to opportunities for future fund-raising, but also allow more Hong Kong, PRC and international investors to have a better understanding and appreciation of our Group's business. This will also provide better synergy for us to enhance our corporate profile, brand awareness, corporate governance and shareholder base. The Directors consider a [**REDACTED**] in Hong Kong will benefit our Company and our Shareholders as a whole.

OUR SHAREHOLDING AND CORPORATE STRUCTURE

Shareholding and Corporate structure immediately before the [REDACTED]

The following diagram sets forth the corporate structure of our Group as of the Latest Practicable Date and immediately before the completion of the [**REDACTED**]:



Notes:

(1) As of the Latest Practicable Date, the remaining shares of Shandong Baoding Agricultural Machinery Testing Co., Ltd. (山東寶鼎農業機械檢測有限公司) was held as to 28.57% by Lovol Heavy Industries Group Co., Ltd. (雷沃重工集團有限公司), a wholly-owned subsidiary of Weichai Holdings;

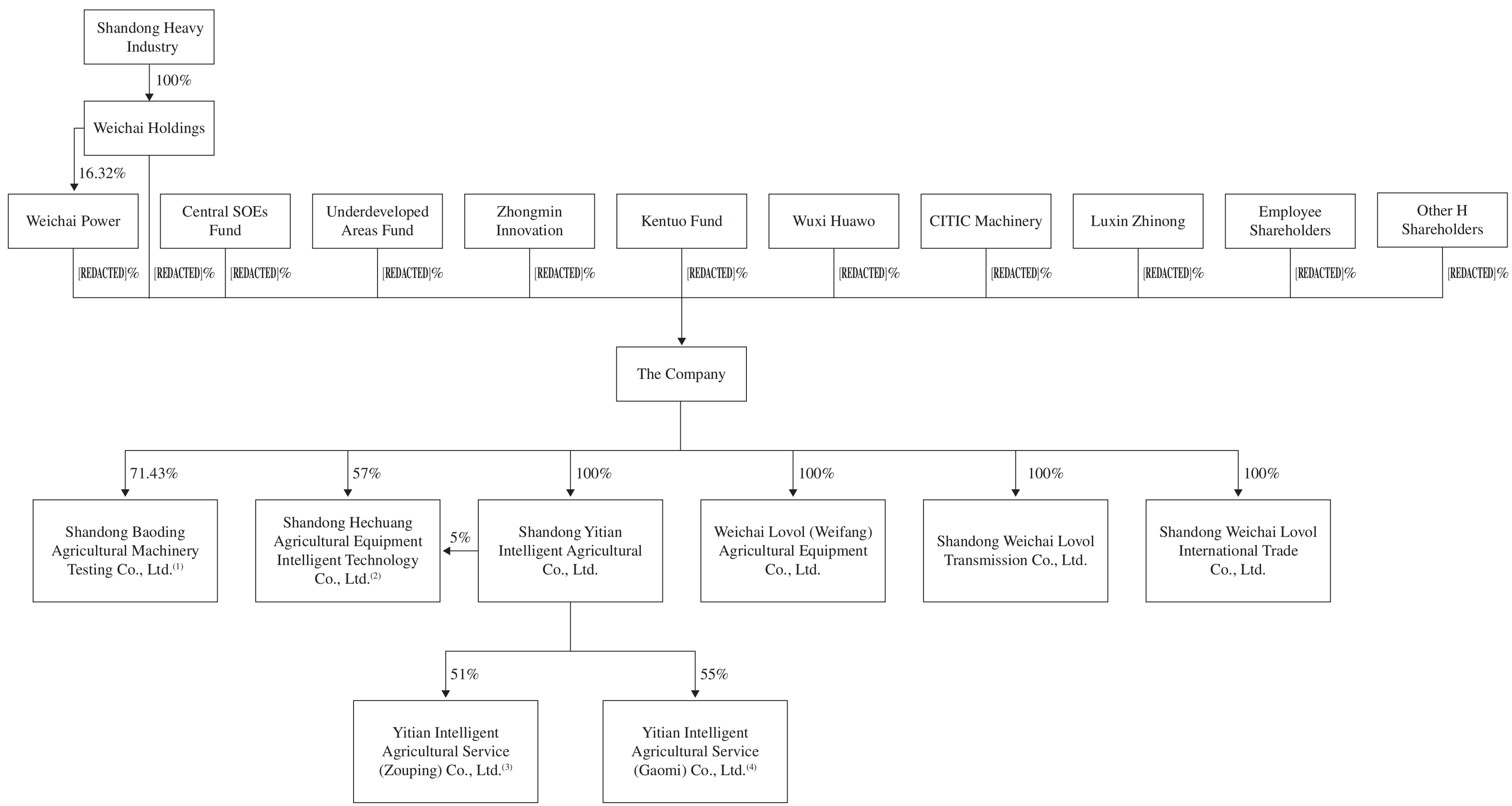
(2) As of the Latest Practicable Date, the remaining shares of Shandong Hechuang Agricultural Equipment Intelligent Technology Co., Ltd. (山東合創農裝智能科技有限公司) was held as to 15% by Shandong Wuzheng Group Co., Ltd. (山東五徵集團有限公司), as to 6% by Anhui Quanchai Engine Co., Ltd. (安徽全柴動力股份有限公司), as to 6% by Shandong Huasheng Zhongtian Machinery Group Co., Ltd. (山東華盛中天機械集團股份有限公司), as to 4% by Guiyang Yongqing Intelligent Control Technology Co., Ltd. (貴陽永青智控科技股份有限公司), as to 4% by Weifang Gahead Drive Tech Co., Ltd. (濰坊穀合傳動技術有限公司), and as to 3% by Bochuang Linkage Technology Co., Ltd. (博創聯動科技股份有限公司), all being Independent Third Parties;

(3) As of the Latest Practicable Date, the remaining shares of Yitian Intelligent Agricultural Service (Zouping) Co., Ltd. (易田智慧農業服務(鄒平)有限公司) was held as to 49% by Shandong Dongwo Agricultural Services Co., Ltd. (山東東沃農業服務有限公司), an Independent Third Party; and

(4) As of the Latest Practicable Date, the remaining shares of Yitian Intelligent Agricultural Service (Gaomi) Co., Ltd. (易田智慧農業服務(高密)有限公司) was held as to 45% by Gaomi Fugao Agricultural Service Co., Ltd. (高密市孚高農業服務有限公司), an Independent Third Party.

Shareholding and Corporate structure immediately following the [REDACTED]

The following diagram sets forth the corporate structure of our Group immediately after the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and no changes in the following shareholdings since the Latest Practicable Date):



Notes (1) to (4): Please refer to shareholding and corporate structure immediately prior to the completion of the [**REDACTED**].

OVERVIEW

Our Mission & Vision

To empower better lives through smart agriculture.

Our Positioning

A leading provider of integrated smart agriculture solutions.

Our Customer and User Strategy

We strive to create lasting value for core customer and user groups, such as large-scale agricultural producers, agricultural enterprises and agricultural service organizations, while also addressing the key needs of full-time operators and individual farmers aiming to foster a diversified synergistic growth across a diversified customer and user base.

Our Business Philosophy

We uphold a user-centric philosophy, underpinned by a development strategy of technological innovation. We are committed to building a robust smart agriculture ecosystem that will effectively tackle the pressing challenges of who to farm and how to farm scientifically, thereby promoting high-quality development.

Our Performance

We are a leading provider of integrated smart agriculture solutions in China. Our journey began in 2004 in Weifang, Shandong. Over the past two decades, we have cultivated integrated smart agriculture solutions that combine advanced full-suite intelligent agricultural machinery with smart agriculture systems to support the full agricultural production cycle. Our business is anchored in two core pillars: (i) full-suite intelligent agricultural machinery products, including tractors, harvesting machines and agricultural implements that span the entire modern agricultural production cycle, covering field preparing, planting, field management, harvesting, straw handling and grain drying, with a focus on high-end, intelligent agricultural machinery, addressing the challenges of "who to farm"; and (ii) smart agriculture services, with real-time operation data captured by agricultural machinery at their core, integrated IoT, AI and big data technologies to deliver a comprehensive understanding of soil, crop and environmental conditions. By applying AI-driven analytics, the system generates precise, data-backed recommendations and directs intelligent agricultural machinery to carry out coordinated, precision tasks, boosting productivity and improving quality, eventually addressing the challenges of "how to farm scientifically."

Our unwavering focus on innovation and quality has established us as an industry frontrunner, backed by strong market performance and multiple industry recognitions:

- ***Industry leadership***. We were an industry leader in China in terms of revenue in 2024, according to Frost & Sullivan:
    - o ***Agricultural machinery industry***: No. 1 with a market share of 21.2%.
    - o ***Intelligent agricultural machinery industry***: No. 1 with a market share of 46.0%, exceeding the second-largest player by 30.8 percentage points.
- ***Category Performance Highlights***. Our major product lines maintained leading positions in China in terms of sales volume in 2024, according to Frost & Sullivan:
    - o ***Tractors***: No. 1 in total tractor sales with a market share of 22.6%; No. 1 in intelligent tractor sales with a market share of 52.7%.
    - o ***Harvesting machines***: No. 1 in wheel type harvesting machine sales with a market share of 53.5%; No. 1 in corn harvester sales volume with a market share of 21.5%; and No. 1 in intelligent harvesting machines sales with a market share of 66.0%.
- ***Awards and Industry Recognitions***. We have received significant domestic and international recognitions for our technological innovation and product design:
    - o Our research on satellite-guided autonomous navigation technology for agricultural machinery received the National Science and Technology Progress Award (Second Prize) in 2021.
    - o Our grain harvesting machine was honored as the National Manufacturing Single-Product Champion (2023-2025) by the MIIT of PRC in 2022.
    - o Our research projects, "Key Technologies and Industrialization of High-power Intelligent Tractors" and "Key Technologies and Applications of Intelligent High-Efficiency Low-Loss Harvesting for Large Harvesting Machines" won First Prizes of the Agricultural Machinery Science and Technology Award in 2023 and 2024, respectively.

The following chart highlights our business achievements[(1)]:

Leadership Position

Dedicated to provide full-suite intelligent agricultural machinery and integrated smart agriculture services to our users

No. 1
In China's agricultural machinery market with a market share of 21.2% in terms of sales revenue

No. 1
In China's intelligent agricultural machinery market with a market share of 46.0% in terms of sales revenue

No. 1
In China's intelligent tractor market with a market share of 52.7% in terms of sales volume

No. 1
In China's intelligent harvesting machinery market with a market share of 66.0% in terms of sales volume

Financial Performance

RMB17.4 billion
In terms of total revenue with an annual growth rate of 18.5%

RMB976.4 million
In terms of adjusted net profit with an annual growth rate of 12.1%

RMB3.8 billion
In terms of net cash flows generated from operating activities

Overseas Business

120+
Countries and regions covered by our overseas business

RMB1.7 billion
In terms of our revenue from overseas business with an annual growth rate of 37.2%

No. 1
In tractor exports ranking with a market share of 33.8% in terms of export volume

Products, Research and Development

2,443
Patents in mainland China

168
Invention Patents

2,500+
Research and Development Personnel

China + Japan + Europe Our Global R&D Footprint

China's first commercialized 240-horsepower CVT intelligent tractor

Honorary Awards

National Science and Technology Progress Award **Second Prize** (2021)

The **sole entity** in the industry obtaining the **First Prize** of the Agricultural Machinery Science and Technology Award (2024)

National Manufacturing **Single-Product Champion** (2023-2025)

Note:

(1) Unless otherwise specified, all data in this chart are for the year ended December 31, 2024 or as of December 31, 2024. Data relating to patents, invention patents and the number of countries and regions covered by overseas business are as of the Latest Practicable Date.

Leveraging our forward-thinking strategic vision in the smart agriculture industry, comprehensive product portfolio, cutting-edge technological capabilities and robust R&D foundation, we believe that we are well-positioned as an industry leader to seize emerging opportunities and gain first-mover advantages over our competitors. Our revenue increased by 18.5% from RMB14,676.3 million in 2023 to RMB17,393.0 million in 2024, and our gross profit increased by 18.7% from RMB1,939.2 million in 2023 to RMB2,302.3 million in 2024, showcasing our ability to capture emerging opportunities and sustain leadership.

Our Market Opportunities

China's agricultural machinery industry presents substantial growth potential, as the ongoing trends in agricultural modernization and sustainable development continue to elevate demand for intelligent agricultural machinery products and integrated smart agriculture solutions. According to Frost & Sullivan, in terms of sales volume of the key enterprises included in the statistics of the China Association of Agricultural Machinery Manufacturers: (i) China's agricultural machinery market reached a total scale of approximately RMB82.2 billion in terms of revenue in 2024, and is anticipated to reach RMB146.7 billion by 2030, representing a CAGR of approximately 10.1%; (ii) intelligent agricultural machinery market reached RMB11.8 billion in terms of revenue in 2024 expected to reach RMB103.9 billion by 2030, representing a remarkable CAGR of approximately 43.6%; and (iii) the market size for integrated smart agriculture solutions is expected to reach RMB118.9 billion by 2030, with smart agriculture services accounting for RMB15.0 billion. According to the same source, shifting consumption patterns and the transition towards large-scale farming have driven a notable upgrade in demand across China's agricultural machinery industry. At the same time, increasingly supportive government policies, rapid technological advancements and the rising competitiveness of leading companies have accelerated the development of intelligent agricultural machinery. Intelligent agricultural machinery is expected to progressively replace traditional machinery, advancing the industry's structural transformation. From 2025 onward, China's intelligent agricultural machinery market is expected to enter a phase of rapid development. China's intelligent agricultural machinery industry is anticipated to reach global benchmarks by 2030, with the intelligent agricultural machinery penetration rate rising to 33.1% in terms of sales volume.

Recognized as one of the most promising integrated smart agriculture solutions providers, we are confident in our ability to seize emerging market opportunities and continue leading the industry's evolution. With full-suite intelligent agricultural machinery at our core, we remain committed to advancing technology-driven, end-to-end smart agriculture solutions that span the full agricultural production cycle. This approach supports our transition toward becoming a service-oriented manufacturer and will fuel our rapid growth.

Our Business Model, Products and Smart Agriculture Services

Our Business Model

We bring together advanced intelligent agricultural machinery technologies and smart agriculture technologies to deliver a full suite of intelligent agricultural machinery and smart agriculture solutions covering the entire agriculture production cycle. Our offerings are designed to help customer increase yields, reduces losses, lower operating costs and improve overall efficiency. This enables our transformation from traditional manufacturing to high-value, service-oriented manufacturing, and supports our pursuit of high-quality development.

Our full-suite intelligent agricultural machinery spans the entire modern agricultural production cycle, covering field preparing, planting, field management, harvesting, straw handling and grain drying. Designed for a wide range of crops, farming practices, operating conditions and farm sizes, our intelligent agricultural machinery addresses diverse user needs across different agricultural landscapes. Complementing our machinery, our integrated smart agriculture solutions convert agronomic experience and field data into automated, precision-based operation instructions. These instructions enable coordinated operations across various items of intelligent agricultural machinery, delivering efficient and scientifically grounded farming solutions that continuously create value for our customers.

By seamlessly connecting hardware, software, data and platforms, our comprehensive suite of intelligent agricultural machinery and integrated smart agriculture solutions enable systemized machinery deployment, streamlined data linkage, platform-based software architecture and end-to-end solution delivery. With strong support from our stakeholders, this framework has evolved into a self-evolving ecosystem, one that not only strengthens user reliance on our solutions but also fosters long-term customer loyalty and builds a robust competitive moat. This ecosystem allows us to maintain market leadership and strong growth momentum, while playing a pivotal role in advancing China's agricultural modernization.

Our Products

We are committed to delivering high-end, intelligent and comprehensive agricultural machinery. Our products can support the entire modern agricultural production cycle, covering field preparing, planting, field management, harvesting, straw handling and grain drying. Our products mainly include:

- ***Tractors.*** We offer a full range of tractors from 25 to 340 horsepower, spanning all advanced technology pathways, including power shift and CVT. Our tractors feature robust power performance, seamless technology integration, advanced intelligent interconnectivity, innovative new-energy technology, extensive operational adaptability and enhanced user comfort. According to Frost & Sullivan, we ranked first in China's tractors market in terms of sales volume in 2024, with a market share of 22.6%.

- ***Harvesting Machines.*** We provide the most comprehensive lineup of harvesting machines in China, primarily including wheel type harvesting machines, crawler type harvesting machines, corn harvesters and specialized harvesting machines. Our comprehensive harvesting machines portfolio covers 80 to 460 horsepower, with feeding capacities ranging from 8 to 18 kg/s, featuring high harvesting efficiency, advanced technology integration and extensive operational adaptability.

- ***Agricultural Implements.*** We have been developing an extensive product line for agricultural implements that supports field preparing, planting, field management, straw handling and grain drying, forming a solid foundation for synergies among various items of agricultural machinery. Our key products include high-speed precision planter, compound strip seeders, high-density large square balers, self-propelled sprayers and 400T batch dryers. These products are designed for multi-scenario, multi-crop and cross-regional use, aligning with the demands across the entire modern agricultural production cycle.

Our Smart Agriculture Services

Leveraging our full-suite intelligent agricultural machinery, we offer smart agriculture services through full-cycle smart agriculture systems built around the entire chain of "perception — analytics and decision-making — execution." Centering on real-time data generated during agricultural machinery operations, these systems deeply integrate IoT, AI and big data technologies to enable multidimensional perception of soil, crop and environmental conditions. AI-driven analysis produces precise operational recommendations, which guide intelligent agricultural machinery to perform coordinated and accurate field operations. This enables a closed-loop management process across the entire agricultural production cycle, making farming more transparent, measurable, controllable and precise. Our smart agriculture services significantly enhance agricultural productivity and operational quality, accelerating the transformation of agricultural production toward greater precision, efficiency, intelligence and sustainability. Ultimately, we help realize truly "scientific farming" by delivering increased yield, reduced loss, lower cost and improved efficiency for our customers. Set forth below are the three key smart agriculture systems:

- ***Perception Layer: Agricultural Information Monitoring System.*** This system integrates multi-source sensors and satellite remote sensing technologies to build a unified "space-air-ground" agricultural monitoring framework. It enables real-time perception of key agricultural indicators such as soil moisture levels, crop growth and pest and disease occurrences. By integrating agricultural machinery data, field monitoring data, and historical agronomic records, we are able to continuously optimize and train our AI-powered decision-making models. This enables more precise management across key aspects of agricultural production, including irrigation, nutrient adjustment, pest and disease control and crop growth optimization. Based on the integrated datasets, this system constructs a dynamic data map that provides high-quality input for intelligent analysis and model refinement, delivering a strong foundation for data-driven decision-making.

- ***Analytics and Decision-making Layer: Smart Agriculture Management Platform.*** We have developed a smart agriculture management platform that supports comprehensive management of the full agricultural production cycle. Powered by big data analysis and AI algorithms, the platform is capable of in-depth analysis and mining of operational and field data, supporting a wide array of functions such as planting planning, machinery task scheduling, resource allocation, intelligent alerts, data visualization, service resource coordination and full-lifecycle machinery management. This enables comprehensive monitoring, efficient operation management and intelligent decision support, advancing the digitization and precision of agricultural production.

- ***Execution Layer: Precision Operation System.*** Through seamless integration with our comprehensive suite of intelligent agricultural machinery, this system enables automated and precision operations across all critical stages of agricultural production, including field preparing, planting, field management and harvesting. This system dynamically adjusts operational parameters based on decision outputs, tailoring actions to local field conditions and actual needs. This "on-demand, precision-based" approach enhances operational efficiency while reducing resource consumption.

OUR STRENGTHS

We are a Leader in Smart Agriculture and Intelligent Agricultural Machinery Market in China, Driving Sustainable Growth through Strategic Insights.

We have a clear strategic positioning, well-defined goals and a systematic strategic roadmap. With deep insights into the evolving trends of agricultural modernization, we are well-positioned to grasp the opportunities in the professionalization and scaling of agricultural production, the advancement of high-end, intelligent and connected agricultural machinery, as well as the commercialization of smart agriculture technologies.

We continuously advance our offerings of high-end intelligent agricultural machinery by upgrading precision operation technologies, building a smart agriculture management platform and enabling end-to-end data integration. As such, we are the first and only provider in China offering full-suite intelligent agricultural machinery and integrated smart agriculture solutions, according to Frost & Sullivan.

We have demonstrated rapid growth in market share, and solidified our industry leadership across sectors. According to Frost & Sullivan, in particular: we are an industry leader in China in terms of revenue in 2024, ranking No. 1 in the agricultural machinery industry, with a market share of 21.2%, and ranking No. 1 in the intelligent agricultural machinery industry, with a market share of 46.0%. According to the same source, our major product lines also maintained leading positions in China in terms of sales volume in 2024, with our tractors ranking No. 1 in the tractors market and the intelligent tractors market, capturing a market share of 22.6% and 52.7%, respectively, and with our harvesting machines ranking No. 1 in the wheel-type harvesting machines market, corn harvesters market and intelligent harvesting machines market, capturing a market share of 53.5%, 21.5% and 66.0%, respectively.

Our leading position has earned us high market recognition worldwide and established extensive brand influence, which is underscored by prestigious awards and industry recognition. Notably, we received six international awards, including Germany's "Red Dot Award" in 2017. In 2021, our pioneering research on satellite-guided autonomous navigation technology for agricultural machinery was awarded the National Science and Technology Progress, Second Prize. This research achieved breakthroughs in navigation positioning, path tracking and automatic obstacle avoidance, laying the technical groundwork for unmanned farming systems. In 2022, our grain harvesting machine was honored as the National Manufacturing Single-Product Champion (2023-2025) by the MIIT of PRC. Further reinforcing our R&D leadership, our projects "Key Technologies and Industrialization of High-power Intelligent Tractors" and "Key Technologies and Applications of Intelligent High-Efficiency Low-Loss Harvesting for Large Harvesting Machines" claimed consecutive First Prizes of the Agricultural Machinery Science and Technology Award in 2023 and 2024, respectively, with our award in 2024 being the only First Prize granted that year. With our leading products and services, we have successively won the "National Agricultural Machinery User Satisfaction

Brand (全國農機用戶滿意品牌)" honor for years across our product portfolio, including tractors, wheel type harvesting machines, crawler type harvesting machines, corn harvesters, peanut harvesters and balers, reflecting our unwavering user-centric focus.

In recent years, China's smart agriculture industry has undergone transformative growth against a backdrop of emerging opportunities. (i) In terms of market demand, as the rapid growth of large-scale farming entities and agricultural social service continues to reshape market dynamics, agricultural producers today increasingly value operational efficiency, operational quality and overall comfort, facilitating the transformation of traditional agricultural machinery toward intelligent configurations. Leveraging technologies such as intelligent driving and precision operation, our agricultural machinery enhances efficiency and productivity, representing a perfect match to market demand. (ii) In terms of agricultural production model transformation, the acceleration of farmland consolidation in China increases the importance of intensive production, rendering traditional small-scale agricultural machinery increasingly inadequate for the demands of large-scale farming operations. On the other hand, leveraging intelligent and interconnected technology, our large-scale intelligent agricultural machinery is capable of delivering efficient, precise and scalable field management. (iii) In terms of policy drivers, national initiatives including the "National Smart Agriculture Action Plan (2024-2028)" (《全國智慧農業行動計劃(2024-2028年)》) and "Plan to Accelerate the Development of an Agricultural Powerhouse (2024-2035)" (《加快建設農業強國規劃(2024-2035年)》) are playing a pivotal role in accelerating the development of intelligent agricultural machinery. Policies such as the "Premium Machinery, Premium Subsidies" ("優機優補") program lower the upfront costs of purchasing agricultural machinery, which encourages a shift toward consumption preference for high-end products. Our product roadmap is well aligned with these policy priorities, exemplified by the launch of China's first 240/340 high-horsepower CVT intelligent tractors, spearheading the industry's transition to power shift and CVT technologies. We also launched our "Lovol Smart Cloud", enabling connection across the end-to-end agricultural production data chain. By introducing over 500,000 items of agricultural machinery into our IoT platform as of the Latest Practicable Date, we have accelerated the development of smart agriculture.

We believe that we are more favorably positioned than our competitors to capture the opportunities and secure first-mover advantages, with such confidence grounded in our leading market position, a forward-thinking strategic vision for smart agriculture, an extensive product portfolio, advanced technological capabilities and a robust R&D framework. We recorded remarkable increases during the Track Record Period: our revenue increased by 18.5% from RMB14,676.3 million in 2023 to RMB17,393.0 million in 2024, and our gross profit increased by 18.7% from RMB1,939.2 million in 2023 to RMB2,302.3 million in 2024, showcasing our ability to capture emerging opportunities and sustain leadership.

We are the First and Only Provider in China Offering Full-Suite Intelligent Agricultural Machinery across the Full Agricultural Production Cycle.

We are the first and only provider in China offering a comprehensive suite of intelligent agricultural machinery and integrated smart agriculture solutions, according to Frost & Sullivan. Our product portfolio spans the entire modern agricultural production cycle, covering field preparing, planting, field management, harvesting, straw handling and grain drying, representing the most comprehensive product matrix and system architecture in the industry. Our product lineup primarily includes tractors, harvesting machines and agricultural implements delivering integrated full-cycle mechanized solutions for modern farming. Leveraging strategic synergies with Shandong Heavy Industry Group and Weichai Group in powertrain systems, hydraulics systems, electronic control systems and new energy technologies, we maintain in-house production capabilities for core components of our products. As a key player in the agricultural machinery value chain, we also excel in vertical integration of advanced technologies and optimizing supply chain resources. With comprehensive product and technological coverage across all application scenarios and overall independence and control of the industrial chain, we are well-positioned to consistently deliver high-performing, reliable and adaptable products that cater to transforming the industry landscape. Our full-suite intelligent agricultural machinery also underpins the intelligent transformation of agricultural production.

Backed by strong R&D capabilities, we consistently pioneer industry-leading products as we expand a diversified and comprehensive portfolio, including:

- ***Tractors.*** Our tractor lineup ranges from 25-340 horsepower and covers all mainstream transmission technologies, including mechanical shift, power shift and CVT shifting. We are the only domestic manufacturer to achieve series production and commercial maturity of both power shift and CVT tractors. With industry-leading engine technology, intelligent powertrain systems and advanced control technologies, we have been able to launch China's first 240/340HP CVT intelligent tractors that meet international standards. Our Intelligent Tractor Manufacturing Hub commenced operations in May 2025. As the first "smart factory" in China's agricultural machinery industry, it boasts an annual capacity of 50,000 units of tractors above 100 horsepower equipped with power shift or CVT technologies. With the ability to roll out one high-end intelligent tractor every four minutes, this hub stands as a benchmark for the transition toward intelligent manufacturing in the agricultural machinery industry, filling a critical gap in domestic high-end intelligent agricultural machinery production. Furthermore, we have succeeded in commercializing our intelligent driving technologies. As we continue to respond to evolving market needs and lead technological advancements, our tractors have maintained a strong and consistent leading position in the market. According to Frost & Sullivan, in 2024, in terms of sales volume, we ranked No. 1 in total tractor sales with a market share of 22.6%; we ranked No. 1 in intelligent tractor sales with a market share of 52.7%; and we ranked No. 1 in exports for tractors with a market share of 33.8%.

- ***Harvesting Machines.*** Our harvesting machines span 80-460 horsepower, covering wheel type harvesting machines, crawler type harvesting machines, corn harvesters and specialized harvesting machines (including peanut harvesting machine, forage harvester and mower conditioner). We offer upgraded wheel type harvesting machines that feature prevailing longitudinal axial-flow technology with feeding capacity ranging from 8 to 18 kg/s. We have launched the first 18 kg/s large-capacity harvesting machines in China, achieving an operating efficiency reaching 50 mu/hour, filling a critical gap in the domestic market. Our key breakthroughs include wide-span contour-following headers, longitudinal axial-flow threshing, low-loss, high-efficiency cleansing and loss monitoring systems, capable of maintaining a grain loss below 0.8%. These advancements have earned us widespread industry and market recognition. For example, our grain harvesting machine triumphs in market dominance, and was honored as the National Manufacturing Single-Product Champion (2023-2025) by the MIIT of PRC in 2022, being the only product of its kind to receive this honor. According to Frost & Sullivan, in 2024, in terms of sales volume, we ranked No. 1 in wheel type harvesting machine sales with a market share of 53.5%; we ranked No. 1 in corn harvester sales volume with a market share of 21.5%; and we ranked No. 1 in intelligent harvesting machine sales with a market share of 66.0%.

- ***Agricultural Implements.*** Our agricultural implements lineup includes hydraulic reversible ploughs, seeders, sprayers, balers and dryers, supporting farming needs across the full agricultural production cycle. These products feature industry-leading technologies and performance indicators, effectively addressing gaps in full-cycle mechanized agricultural production. Notably, we have successfully developed a high-performance compound drill seeder, which has been validated through a demonstration application establishing 50 demonstration fields of 50 mu each across 50 major wheat-producing counties in six provinces nationwide. The results show that our seeder is equipped with the capacity of achieving a yield of over 15%, benchmarking the exceptional performance and innovation momentum of our agricultural implements.

Furthermore, we enhance user experience and brand recognition through multi-channel user engagement. During the pre-sales phase, we integrate online and offline marketing resources to build an omni-channel matrix that effectively reaches target customers and strengthens brand influence. In the after-sales phase, we operate a robust service network centered on an integrated sales and service channel, and complemented by company resources as well as commercialized service channels, forming a tripartite collaboration that provides comprehensive warranty coverage. This structure ensures our continuous in-depth interaction with users throughout the product life cycle, delivering full-process support and fostering long-term trust and loyalty.

We Pioneer Smart Agriculture Solutions and Achieve End-to-end Data Integration to Propel Sustained Improvements in Agricultural Productivity.

Smart agriculture stands at the forefront of a future agriculture landscape, offering promising prospects and immense potential. In support of this, the Chinese government promulgated initiatives such as the "National Smart Agriculture Action Plan (2024-2028)" (《全國智慧農業行動計劃(2024-2028年)》) and the "Plan to Accelerate the Development of an Agricultural Powerhouse (2024-2035)" (《加快建設農業強國規劃(2024-2035年)》) which are injecting strong momentum into this sector. These initiatives consolidate innovation resources to incubate technology-leading enterprises in the smart agriculture industry and accelerate the R&D, commercialization and marketization of agricultural machinery technologies, forming the smart agriculture innovation clusters.

With our forward-looking strategy, we are advancing the research and commercialization of integrated smart agriculture solutions. According to Frost & Sullivan, we are the first enterprise in China to establish a scalable research institute dedicated to smart agriculture technologies in China. According to the same source, we are the first-in-industry to enable connection across the entire intellectual agricultural data chain, as well as the industry's first enterprise to provide a comprehensive suite of intelligent agricultural machinery and integrated smart agriculture solutions. Building on our full-suite intelligent agricultural machinery, we provide smart agriculture services through a set of smart agriculture systems that span the entire chain of "perception — analytics and decision-making — execution." In particular, our smart agriculture systems include the following segments: (i) For the perception layer, we have established the agricultural information monitoring system that builds a unified "space-air-ground" agricultural monitoring network, solidifying a high-quality data foundation. (ii) For the analytics and decision-making layer, we have built a smart agriculture management platform that is powered by big data analysis and AI algorithms, enabling in-depth analysis and mining of operational and field data. The platform generates actionable insights and operational instructions, supporting a wide array of applications including planting planning, machinery task scheduling, resource allocation, intelligent alerts, data visualization, service resource coordination and full-lifecycle machinery management, thereby empowering efficient management of large-scale agricultural operations. (iii) For the execution layer, we have introduced a precision operation system which enables automation and precision through seamless integration with our full suite of intelligent agricultural machinery across all critical stages of agricultural production, covering field preparing, planting, field management and harvesting, enabling "on-demand, precision-based" execution. As of April 30, 2025, we have successfully commercialized these technologies through demonstration projects, establishing over 60 smart farms across more than 20 provinces in China. More than 37,400 agricultural producers cultivating land over 8 million mu have benefited from our smart agriculture management platform, with over 600 managing land areas exceeding 500 mu, spanning 31 provinces across China.

We are committed to advancing the operational efficacy and efficiency of our integrated smart agriculture solutions, providing end users with actionable insights for precision farming and elevating the specialization and intelligence of agricultural machinery operations. The solution is designed to help agricultural producers increase yields, reduce losses, lower operating costs (including pesticide and fertilizer usage) and improve overall efficiency. Additionally, our solutions optimize the allocation of service personnel, resources and logistics, effectively addressing user needs and delivering full lifecycle product support.

Anchored around our full-suite intelligent agricultural machinery, we continue to refine our AI model with data collected from machinery which enables value-added services including precise soil analysis and yield forecasting. By expanding application scenarios, we strengthen user satisfaction and loyalty, fostering long-term and deep-rooted engagement and future purchases. The integrated smart agriculture solutions not only establish strong technological barriers but also significantly empower our penetration rate in the intelligent agricultural machinery industry as well as cultivating operation resilience.

We Build a Competitive Moat with Industry-leading R&D Capabilities that Fuels Continuous Innovation.

Our product competitiveness is underpinned by strong R&D capabilities and a full value-chain technological edge. We possess the industry's most advanced innovation capacity and one of the strongest research teams, according to Frost & Sullivan. According to the "2025 China Agricultural Machinery Enterprise Innovation Ability Assessment Report (2025年中國農機企業創新能力評估報告)" released by the Institute for Agricultural Equipment Industrial Development in China, we achieved a leading composite score of 81.68 points, ranking first for two consecutive years.

As the only enterprise in China to achieve full-spectrum control across the entire intelligent agricultural machinery industry value chain, we maintain deep synergistic collaboration with Shandong Heavy Industry and Weichai Power Group. We have built comprehensive R&D capabilities across key domains, including powertrains, transmission hydraulic and electronic control systems, intelligent driving and new energy technologies. As of December 31, 2024, we had the largest R&D team in the industry, with over 2,500 members, 33.5% of whom held a master's degree or higher. In 2022, 2023 and 2024, our R&D expenses were RMB570.6 million, RMB676.9 million and RMB838.6 million, respectively, accounting for 3.6%, 4.6% and 4.8% of our total revenue in the respective years. Sustained R&D investment has continued to strengthen our technological competitiveness.

We have built a globally coordinated R&D framework spanning China, Japan and Europe, with our Weifang headquarter serving as the core, while actively leveraging advanced technological resources from key international markets. For example, we have deep R&D cooperation with Japanese innovation partners in areas such as paddy-field tractors, crawler type harvesting machines and rice transplanters, and we also foster in-depth collaboration with European innovation partners in high-end tractors, harvesting machinery and agricultural implements. Additionally, on the industry-university-research front, we have formed long-term partnerships with over 50 leading research institutions, including the Institute of Computing Technology of Chinese Academy of Sciences and China Agricultural University. We also collaborate with research teams led by top industry experts such as Academician Luo Xiwen and Academician Zhao Chunjiang. Together, we have undertaken over 110 national and prefectural-level key projects as of the Latest Practicable Date, achieving breakthroughs in multiple core technologies critical to our industry.

We had established over ten nationally and provincially recognized R&D platforms as of the Latest Practicable Date, including one of the first "Innovation China (科創中國)" intelligent agricultural machinery industry-university-research collaborations innovation bases, designated by the China Association for Science and Technology. These platforms play a critical role in accelerating the commercialization of our technological advancements. Backed by strong research capabilities and platform strengths, we were certified as a National Technological Innovation Demonstration Enterprise (國家技術創新示範企業) by MIIT in 2023. As of the Latest Practicable Date, we held 2,443 patents, including 1,905 utility model patents, 168 invention patents and 370 industrial design patents in mainland China, along with 49 patents in other countries and regions. We also actively participate in and lead the formulation of various standards, including 26 national standards, 18 industry standards and 56 association standards. Our volume of invention patents and involvement in national standard-setting place among the industry leaders.

In the field of core technological breakthroughs, we have achieved several industry milestones: we introduced China's first 240 horsepower commercialized CVT intelligent tractors, spearheading the industry shift toward CVT technology; we independently developed intelligent harvesting machines with a feeding capacity of 18kg/s, filling a domestic gap; we launched high-end agricultural implements including large-scale self-propelled sprayers, 400T batch dryers and high-density large square balers, achieving the localization of high-end agricultural machinery across key agricultural production processes. We have achieved breakthroughs in key technologies in smart agriculture including loss monitor, yield monitor and variable-rate operations. We have also launched our "Lovol Smart Cloud", enabling connection across the end-to-end agricultural production data chain. In 2022 and 2023, the Agricultural Mechanization Station of the Ministry of Agriculture and Rural Affairs released evaluation results, and among the 33 products recognized as reaching domestic leading technology level or above, 19 were our offerings, accounting for 57.6% of the total and securing the top position in the industry. Notably, our Weichai Lovol P2404-7V(G4) Tractor was distinguished for meeting international advanced technology standards.

We believe that, backed by our deep technical expertise and well-established R&D system developed through years of focused investment, we are well positioned to continue making breakthroughs in core technologies, strengthen our competitive advantage, and lead the high-quality development of China's agricultural machinery industry.

We Actively Expand Global Reach with Significant Growth Potential, Backed by a Parent Group with Deep International Roots.

Empowered by our exceptional and competitive product portfolio, we are able to establish a robust distribution network across major markets all over the world. Our overseas business operations have experienced rapid growth, with our tractors ranking first in the industry in terms of export volumes. Since our inception, we have been actively cultivating the international market, with our core export offerings including 25-240 horsepower mid- and high-horsepower tractors, wheel type harvesting machines and crawler type harvesting machines, now reaching over 120 countries and regions worldwide. To support this global footprint, we have developed an integrated sales and service network that seamlessly combines product sales, after-sale service, components supply, training and information feedback mechanisms. In parallel, to ensure timely responsiveness to users' demand and to enhance our operational agility and supporting capabilities, our overseas business teams have extended their presence deep into terminal markets. In recent years, as we have accelerated our global expansion, the full potential of our product portfolio has been unleashed. In 2022, 2023 and 2024, our overseas revenue reached RMB949.0 million, RMB1,257.2 million and RMB1,725.0 million, respectively, accounting for 5.9%, 8.6% and 9.9% of our total revenue generated during the same periods, with a CAGR exceeding 30.0% and achieving increase in share of total revenue year by year. In 2024, our market share for tractors reached 33.8% in terms of export volumes, securing the top position in the industry. Our products have earned widespread recognition in overseas markets and demonstrate strong competitive advantages.

We also seek to cultivate strategic synergies with our Controlling Shareholders and affiliated business units across the Group, enabling mutual reinforcement and establishing a robust foundation for our global expansion. Our Controlling Shareholders, the Shandong Heavy Industry Group and Weichai Group are both internationally oriented, world-class industrial equipment manufacturing leaders in China, with their business operations spanning six major sectors: power systems, commercial vehicles, construction machinery, smart logistics, agricultural machinery and marine transportation equipment. Together, they control 11 publicly listed companies. They have deeply embedded internationalization into their development schemes and operational systems. Over the past three years, Shandong Heavy Industry Group has achieved annual export revenue growth exceeding 50%, reaching 97.7 billion in 2024, with a 14% year-on-year increase. With outstanding product quality and cutting-edge technology, their products are sold in over 150 countries and regions, successfully establishing an expansive and stable global customer base and a strong brand presence in international markets. Their accumulated valuable insights on overseas business development and operational management has resulted in an efficient and replicable business model. By capitalizing the Shandong Heavy Industry Group and Weichai Group's proven overseas expansion strategies, we have rapidly entered and deeply cultivated global markets, driving robust growth in our overseas revenue.

We benefited from the mature and far-reaching market channels cultivated through the Shandong Heavy Industry Group and Weichai Group's extensive global sales network and long-standing partnerships with overseas partners. As of the end of 2024, Shandong Heavy Industry Group operated nearly 300 overseas offices and 36 trading platform companies across 25 countries. The Groups also own 46 overseas factories, enabling localized assembly and manufacturing capability in 31 countries. Nearly 2,000 employees of the Shandong Heavy Industry Group and Weichai Group are stationed abroad. Among their over 1,200 overseas distribution channels, 297 are shared across subsidiaries. This extensive infrastructure empowers us to smoothly introduce our agricultural machinery to global markets, leveraging existing channels for distribution and sales, significantly moves market entry barriers and reduces upfront costs to break into new markets.

In addition, the Shandong Heavy Industry Group and Weichai Group possess deep expertise in international capital operations. Since 2008, they have steadily expanded their global footprint through a series of strategic capital investments, including the successful acquisition and restructuring of several overseas high-tech enterprises such as Baudouin in France, Ferretti in Italy and KION Group in Germany, PSI, which is based in the US. We believe the Shandong Heavy Industry Group and Weichai Group will help us by passing on their profound heritage of insights and foresight in international capital operations, energizing us to accurately capture international market dynamics, proactively conduct overseas mergers and acquisitions, as well as expanding our overseas business, collectively enhancing our comprehensive competitiveness in the overseas market.

Experienced, Visionary and Professional Management Team Steers Our Sustainable Growth.

Our management team brings deep industry expertise and a strong understanding of real-world agricultural scenarios. With extensive experience in the agricultural machinery industry, the team demonstrates clear strategic vision and robust management expertise. Leveraging our comprehensive knowledge of both agricultural machinery and smart agriculture industries, we remain agile on delivering a top-notch product lineup and solutions to reinforce our leadership position.

Our chairman, Mr. Wang Guimin, has been deeply engaged in the machinery manufacturing industry for over 30 years and has served as the chairman or general manager of the company for more than 15 years. He possesses in-depth expertise in both the agricultural machinery and smart agriculture industries, combining localized innovation vision with an international perspective. Under his leadership, we actively expand our international outlook by dedicating resources investment in technology R&D innovation, and have built a global R&D system that integrates insights from China, Europe and Japan. Mr. Wang's industry insight and strategic vision are exceptional. He possesses over 13 years of R&D experience, more than 10 years' experience in manufacturing and over 20 years' experience in marketing. This equips him with a comprehensive understanding of our entire value chain from R&D, product design to market execution, coupled with his extensive practical experience in technology commercialization, brand strategy development and market channel expansion.

Our senior management team also brings over 15 years of industry experience, with deep expertise in agricultural machinery research and market development. Its profound knowledge and insights have been integral to our business growth, which has enabled us to achieve strong operating and financial performance, strengthening our competitive position and driving our continuous long-term strategic success. Mr. Wang Jian, our general manager, possesses over 20 years of experience in process manufacturing, having served as manufacturing director, chief technologist and executive president of Weichai Power, one of our shareholders. He brings deep expertise in process engineering and manufacturing management. Mr. Li Zhengyu, deputy general manager and technical director of our Research Institute for Tractors, possesses over 20 years of R&D experience, with more than 20 years of focus specifically in the field of tractors with notable achievements in power shift and CVT technologies. Mr. He Song, deputy general manager and technical director of the Research Insitute for Harvesting Machines, possesses nearly 20 years of continuous R&D experience and nearly 20 years of specialized experience in the field of harvesting machines, and has led the development and industrial application of several core technologies. Mr. Wang Junwei possesses nearly 20 years of experience in financial management, having held chief financial officer roles at Weichai Group, Shantui Co., Ltd., and Weichai Heavy Machinery, as well as director of the finance department of Shandong Heavy Industry Group. See "Directors and Senior Management".

Under the guidance of our visionary management, we have assembled a team of employees rich in professional expertise and industry experience, drawing talent from industry-leading university research institutes, application-focused organizations and front-line production roles. This diverse talent pool enables us to sustain strong innovation capabilities and deep industry insights. Additionally, we have implemented an employee stock ownership plan, with 135 core business backbones holding approximately 1.45% of the shares as of the Latest Practicable Date. This initiative fosters employee engagement and stimulates their enthusiasm, which helps maintain the stability of our management and key personnel, reflected in a low turnover rate among core talent. By harnessing the collective strength of our team, we aim to sharpen our competitive edge and advance our strategic paradigms.

OUR STRATEGIES

We are dedicated to advancing R&D innovation in intelligent agricultural machinery and smart agriculture services that deliver tangible value to our users, positioning us as a premier provider of integrated smart agriculture solutions. Our overarching objective is to infuse agriculture with technological capabilities, tackling the pressing challenges of who to farm and how to farm scientifically. In doing so, we contribute meaningfully to rural revitalization and empower better lives. To carry out this vision, we will unwaveringly implement the following strategic initiatives, continuously enhance our corporate value and elevate our global brand presence.

Deepen Focus on Core R&D to Build a Strategic Technological Edge in Smart Agriculture Innovation.

We have consistently prioritized meaningful investment in R&D, global talent sourcing, international footprint expansion and ecosystem collaboration to accelerate the development of a world-class innovation architecture. These efforts reinforce our leadership in the smart agriculture industry. We aim to continuously optimize our intelligent agricultural machinery product portfolio and integrate global R&D resources, as well as advanced technologies from related industries, while proactively deploying transformative technologies. In particular, key areas of our focus include:

- **Intelligent upgrades of agricultural machinery**. We are advancing the intelligent upgrade of our agricultural machinery, with a strategic focus on embedding next-generation technologies across all product categories by strengthening capabilities for technology breakthroughs and building a robust foundation for agriculture modernization. In particular:

  - **Intelligent upgrade for tractors and agricultural implements**. We are deepening the evolution of tractor powertrain technologies, including power shift and CVT technology, along with the integrated system control upgrades to improve the operator's comfort, operational efficiency and energy performance. In parallel, we are accelerating the application of ISOBUS Class III to enable seamless coordination between tractors and agricultural implements.

  - **R&D for intelligent harvesting machines**. For our harvesting machines, we will scale up the development of large-scale intelligent harvesting machines with a feeding capacity of 18kg/s and above, while enhancing multi-crop adaptability. Concurrently, we are developing grain loss tracking and yield monitoring technologies that enable real-time loss tracking and dynamic analysis of loss trends. These systems provide intelligent guidance for parameter adjustments, effectively reducing grain loss.

  - **Upgrades to intelligent cockpits and intelligent driving technologies**. We are systematically upgrading intelligent cockpits and intelligent driving capabilities across our entire product lineup. Our next-generation smart cabins will feature integrated voice interaction, real-time diagnostics and self-learning capabilities. Coupled with vision perception and intelligent driving technologies, we aim to significantly improve operational precision and automation. Simultaneously, we are intensifying R&D efforts in key technologies such as visual perception and control algorithms to build an intelligent control system backboned by discriminant AI, serving as a foundational enabler across our product portfolio, driving the transition toward fully autonomous agricultural operations.

    - o **R&D of core hardware and sensors**. To support intelligent operations across all key stages of agricultural production, we aim to independently develop a suite of high-precision, high-performance core components including sensors, controllers, TBOX and display terminals. These components are designed to enable real-time data collection and monitoring across field preparing, planting, field management and harvesting.

- **Entry into new energy agricultural machinery sectors**. We are expanding into the new agricultural machinery sector, pursuing parallel development of pure electric and hybrid solutions, addressing both small- and mid-scale production and drylands production scenario. For our tractors, we will develop mid-horsepower pure electric tractors tailored for orchards and facility agriculture, offering zero-emission precision operations. Our offerings will also include high-horsepower hybrid tractors for drylands that integrate electric motors with internal combustion engines to optimize power output. The deployment of such a system is projected to improve powertrain efficiency and reduce diesel consumption compared to conventional diesel-powered models. For our harvesting machines, we will simultaneously expand our new energy technology base to support electric and hybrid solutions, with an emphasize on addressing endurance and energy management challenges in complex field conditions. Consequently, this initiative will accelerate the decarbonization of grain production.

- **Phased development of agricultural robots**. To address labor shortages and operational risk while seizing opportunities in relation to the momentum of agricultural modernization, we plan to carry out a phased development plan for agricultural robots: (i) Short term: we aim to launch Generation 1.0 agricultural robots for drylands and orchards, featuring intelligent driving technology and new energy powertrain systems. (ii) Medium term: we will launch Generation 2.0 products that will adopt cabinless design and wheel side-motor, featuring field patrol monitoring and intelligent harvesting technologies, thereby significantly improving operational accuracy and efficiency. (iii) Long term: we intend to lead in quadruped and hexapod robot and dexterous manipulation technologies, as well as enabling intelligent operation in complex terrains including hills and mountainous regions, equipping Generation 3.0 with terrain-adaptive intelligent operation capabilities. This roadmap will culminate in the collaboration between agricultural machinery and agricultural robots, forming the backbone of next-generation agricultural modernization.

- **Systematic upgrade fueling development in smart agriculture**. We are undertaking a systematic optimization of our smart agriculture services, which are built around the closed-loop smart agriculture workflow paradigm of "perception — analysis and decision-making — execution." Our objective is to enhance the technical capabilities and coordination efficiency across all modules of the system, strengthening the overall effectiveness of our smart agriculture services. In particular:

    - o **Data sensing and monitor:** we plan to develop proprietary sensors for tillage depth monitoring, seed detection and loss and yield monitoring, enabling real-time, end-to-end data capture throughout agricultural machinery operations. By integrating this with multi-modal data from our agricultural information monitoring system, we aim to build a comprehensive sensing system covering the entire agricultural production process, laying the foundation for our precision agricultural management capabilities.

    - o **Intelligent decision-making and analysis:** we will leverage large-scale AI models and data mining techniques to embed intelligent algorithms libraries for crop planning, disaster forecasting and precision operations into our smart agriculture management platform. This will significantly improve the timeliness and precision of agronomic analysis and decision-making and support the digital transformation and management upgrade of agricultural production.

    - o Precision operations and seamless coordination, we will integrate our proprietary technologies such as visual navigation, intelligent driving and dynamic obstacle avoidance to enhance the operational accuracy of agricultural machinery and achieve seamless and efficient coordination across multiple items of machinery.

  By resolving technical bottlenecks across the paradigm of "perception — analysis and decision-making — execution", we aim to achieve intelligent control throughout core agricultural processes, covering field preparing, planting, field management and harvesting, thereby forming the technological backbone of our smart agricultural ecosystem and laying a robust foundation for digital transformation and sustainable development.

To this end, we will mobilize global resources to expand and cultivate a high-caliber talent pool and elevate our R&D capabilities. Our talent strategy includes: (i) we will intensify recruitment of top-tier talent in the industry, specifically those in the field of drivetrain system, hydraulic and electronic control, intelligent driving, new energy and core algorithms; (ii) we will assemble teams to tackle key R&D challenges, including next-generation intelligent tractors for both dryland and paddy field, large-scale intelligent harvesting machines, electronic crawler chassis and high-end electric transplanters; and (iii) we will implement diversified training and incentive mechanisms to strengthen talent pipelines and foster their engagement. Furthermore, for the cultivation of our R&D infrastructure, we will deploy physical test bench systems for complete machinery, systems and components. We will also introduce advanced development tools such as simulation modeling and digital twins technologies to improve validation efficiency and unlock the full potential of our R&D teams.

Accelerate Smart Agriculture Ecosystem Development and Drive Commercialization at Scale.

We will cultivate an open and concerted smart agriculture ecosystem, which is structured around four independent pillars: the data ecosystem, technology ecosystem, service ecosystem and customer and user ecosystem.

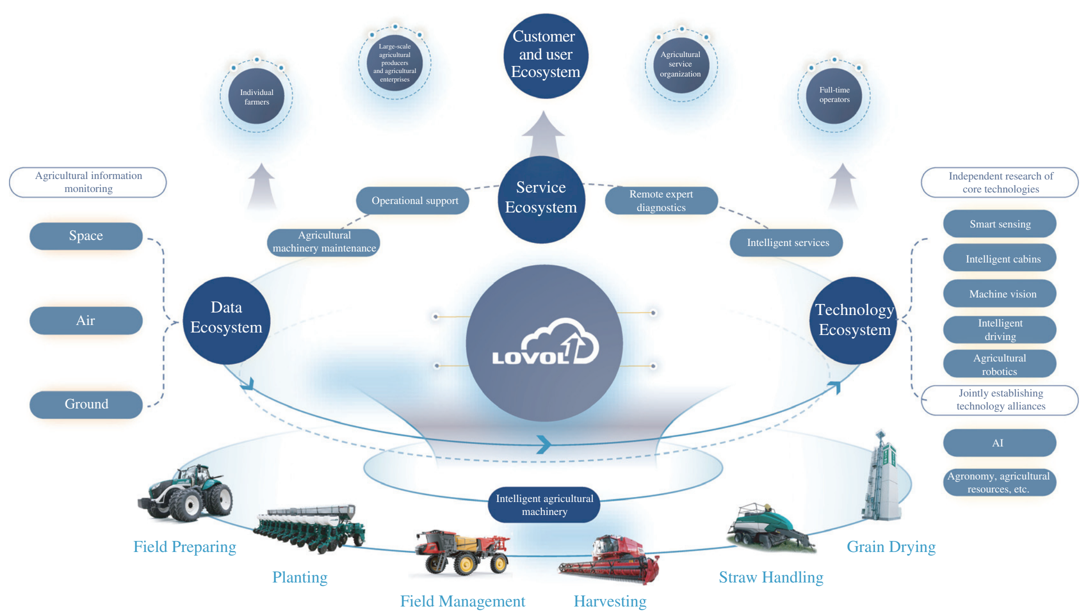
- **Data Ecosystem**. We are constructing a "space-air-ground" integrated agricultural monitoring network with our agricultural information monitoring system at its core that facilitates a closed-loop data flow across the entire value chain for our users, which encompasses machinery management, plot planning, field operations, resource allocation and after-sales services. Looking forward, we intend to foster interoperability across diverse production scenarios through data interconnection, enhancing real-time communication and dynamic analysis between field-generated data, machinery operations and agricultural producer's decision-making. This infrastructure will provide robust support to our users with data-driven insights for agronomic decision-making and resource optimization.

- **Technology Ecosystem**. Our dual approach to sharpen the technological framework includes in-house R&D and collaborative innovation. Internally, we focus on key technologies such as smart sensing, intelligent cockpits, machine vision, intelligent driving and agricultural robotics, forming modularized and replicable solutions. Externally, we collaborate with research institutions to advance capabilities in areas including intelligent agricultural machinery evolution, algorithm library for decision-making and agronomic knowledge system building. These efforts integrate data intelligence with mechanical operations, thereby enhancing the actionability and intelligence of agricultural decisions.

- **Service Ecosystem**. We are advancing full lifecycle management of our agricultural machinery by deploying a nationwide service network. Our efforts include building a national maintenance system, forming cross-regional operational support teams, launching a remote expert diagnostics platform and providing diversified intelligent services underpinned by our intelligent service decision system. Collectively, these initiatives are designed to continuously streamline our service delivery across all stages of the product lifecycle, thereby elevating our service efficiency and user satisfaction.

- **Customer and user Ecosystem**. We focus on serving large-scale agricultural producers, agricultural enterprises and agricultural service organizations. We plan to form a stratified and customized customer service model tailored to their distinct operational needs. For intensive farming entities, we offer integrated platform solutions encompassing organizational oversight, plot supervision, machinery management, production workflow control and financial governance to enhance their operational efficiency and digital capabilities. For individual small- and medium-sized agricultural producers, we are leveraging our smart agriculture management platforms to deliver lightweight functions such as agronomic guidance, weather alerts and performance assessment, catering to their needs for convenient and cost-effective services.

The diagram below set forth the structure of our smart agriculture ecosystem:



At present, we have started to lay the foundation of a smart agriculture ecosystem covering crop planning, machinery operations and field management. Energized by the convergence of our data, technology, service, customer and users ecosystems, we are transitioning from technological validation to commercial deployment of smart agricultural technologies. Moving forward, we will expand our capabilities in the following areas: we plan to deliver diversified, scenario-specific solutions that cater to the needs of family farms and large-scale agricultural enterprises, while simultaneously exploring the commercial viability of unmanned farms; and we plan to promote industry-wide collaboration through the standardization of data transmission interfaces and protocols for agricultural machinery, thereby fostering interoperability across the value chain. Through the foregoing strategies, we aim to transform data generated by the stakeholders in our ecosystem into actionable agricultural practices while collectively developing a robust agricultural ecosystem, ultimately establishing a quantifiable, replicable and scalable model for smart agriculture.

Empowering Intelligent Manufacturing System through Strengthened Global Integration and Self-controlled Resources across the Industrial Chain.

With the development of large-scale, high-end and intelligent products at our core, we remain committed to cultivating a dual-engine high-end intelligent agricultural machinery manufacturing system by establishing a world-class machinery manufacturing base, as well as integrating independently controllable industrial chain resources, laying a solid foundation to elevate our competitive edge across the value chain.

As part of our capacity enhancement roadmap, we are advancing the development of world-class intelligent agricultural machinery manufacturing bases, with our concentrated focus on establishing new production facilities for two core product lines, namely, our high-horsepower intelligent tractors and large-scale intelligent harvesting machines. In May 2025, we completed construction and initiated commissioning of our Intelligent Tractor Manufacturing Hub. This facility introduces an additional annual capacity of 50,000 units. Concurrently, we commenced the planning of an auxiliary international logistics center which will be equipped with an intelligent warehouse management system. Designed to optimize end-to-end coordination between manufacturing and distribution, this facility is slated for completion of construction in 2027, forming a globally integrated supply chain service platform. Meanwhile, our Intelligent Manufacturing Base for High-end Agricultural Machinery is currently under planning, slated for completion of construction in 2027, with a design annual production capacity of 3,000 units. Together, these two intelligent manufacturing hubs will serve as critical infrastructure in reinforcing our leadership in the global market for large-scale intelligent agricultural machinery.

In parallel, we are advancing the intelligent transformation of our existing production lines by integrating smart manufacturing technologies and automation. A key component of this upgrade is the system-wide deployment of the MES system to empower real-time monitoring, intelligent scheduling and precise traceability throughout the production lifecycle. Additionally, we will implement robotic workstations in welding and assembly operations, along with flexible AGV lines that support seamless product changeover and flexible manpower allocation. These enhancements are projected to effectively elevate production efficiency. We are upgrading our environmentally friendly production processes as we aim to position ourselves as the benchmark in green manufacturing. We will continue to advance the deep integration of intelligent and eco-friendly production systems to drive cost efficiency and operational excellence across the entire manufacturing process.

In parallel, to carry out the goal of strengthening our core competitiveness over the industrial chain, we are actively integrating global resources with a focus on securing independent control over key assets. Through integrated design and manufacturing collaborations with key operation sectors of Shandong Heavy Industry Group, including powertrains, hydraulic and electronic control systems and new energy technologies, we have established a sturdy foundation for industrial chain synergy. For instance, we plan to co-develop power systems with the Shandong Heavy Industry Group's high-performance engine research team, customizing tailoring solutions to cater to diverse product applications.

This collaboration aims to continuously optimize product performance and ensure optimal engine-to-machine integration. Meanwhile, we are expanding our global footprint by incorporating advanced technologies and supply chain resources to foster an open, innovative collaboration ecosystem, further reinforcing our competitive edge in the high-end agricultural machinery value chain. Our focus lies in advancing the R&D of critical components such as transmissions (e.g. wet clutches, power shift gearboxes and high-end heavy-duty front axles), hydraulic systems (e.g. lifters and control valves) and intelligent modules (e.g. sensors and controllers). By deepening our technological and manufacturing capabilities across these areas, we aim to consolidate our independent control of the industrial chain within the high-end intelligent agricultural machinery manufacturing system.

Advance Global Strategic Expansion to Unlock International Growth Opportunities.

In pursuit of our global strategic objectives, we are committed to accelerating the expansion of our international footprint, enhancing the competitiveness of our intelligent agricultural machinery portfolio and integrated smart agriculture solutions worldwide. Our goal is to further increase the share of overseas business in our total revenue, establishing a new engine for sustainable growth. To this end, we plan to deepen international cooperation across the entire value chain, spanning R&D, manufacturing and sales:

- **R&D stage**: we aim to establish technical partnerships with leading global research institutions. Building on our prevailing collaborations with research teams in Japan and Europe, we plan to further attract top-tier talents and track emerging trends in frontier technologies including intelligent agricultural machinery and smart agriculture. These efforts will reinforce our global innovation capabilities in cutting-edge technologies.

- **Manufacturing stage**: looking ahead, we plan to cultivate localized manufacturing capabilities in strategic markets such as South America and Southeast Asia through mergers, acquisitions or strategic alliances, thereby strengthening regional production capacity.

- **Sales and service stage**: leveraging our existing market presence in over 120 countries and regions, we are committed to continuously expanding our global reach and further developing a diversified network of channel partners, thereby enabling us to build a globally integrated sales and service system with enhanced local responsiveness, including robust after-sales and maintenance support.

We possess a deep understanding of the diverse needs across global markets and are committed to continuously enhancing our products' adaptability to the complexities of agricultural production, including variation in crop types, scalable field management and operational scenarios. Simultaneously, we will continue to develop a multidimensional product portfolio tailored to both premium and niche market demands abroad.

To further support our global ambitions, we plan to capture potential investment and acquisition opportunities in global markets. As of the Latest Practicable Date, no definitive acquisition targets have been identified. In the future, we will target companies with advanced technologies in high-end intelligent agricultural machinery and smart agriculture that complement our existing capabilities, or regional brands with strong governmental relations and mature distribution network in the strategic markets, enabling us to capitalize on local policy incentives that support localized production. Our objective is to expedite market entry and integrate local customer resources through a combination of technology licensing, joint research and development, supply chain integration and strategic partnerships, achieving operational synergies and enhancing our global presence.

We are confident that the aforementioned collaborative initiatives will yield valuable insights into global demand patterns and industry trends. By assimilating international best practices and docking industry resources worldwide, we will sharpen our perceptions of key regional markets and industry dynamics, laying a solid foundation for the continued enhancement of our global competitiveness.

Upgrade Digital Operations to Optimize Our Intelligent Management and Decision-making Hub.

Aligning with our strategic vision, we have formulated an innovative digital blueprint that enhances decision-making precision and managerial efficiency. Leveraging advanced digitization, connectivity and intelligent technologies, we plan to develop and upgrade our digital management systems in the following sectors:

- **R&D**: we will prioritize the enhancement of the Teamcenter and PMS platforms to accelerate the development cycle of new products and ensure agile responses to evolving market demands.

- **Production**: our focus will be on the enhancement of the ERP and MES systems to establish a transparent, automated and flexible digital factory, ensuring consistent product quality and punctual delivery.

- **Procurement**: we will emphasize the restructuring and upgrading of the SRM platform to enable real-time tracking and oversight across all stages of supply chain execution, thereby reinforcing supply chain resilience.

- **Marketing**: adhering to a user-centric approach, we will advance the restructuring and enhancement of the CRM and CC systems to build an omni-channel, multimedia precision marketing system that spans the entire customer lifecycle to escalate sales growth and deepening user engagement.

- **Finance**: we will also implement upgrades to our financial shared services system to further standardize and strengthen our financial management capabilities.

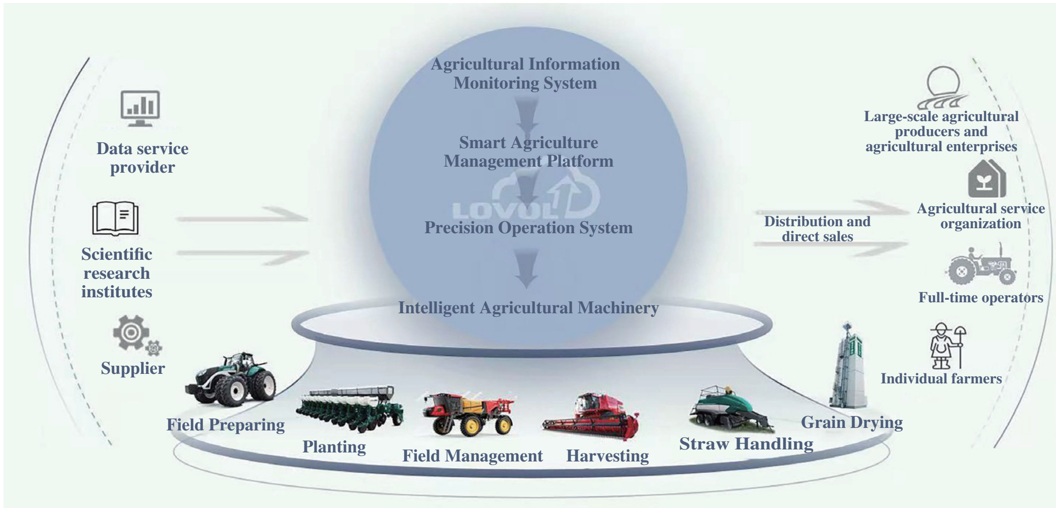
In parallel, we will harness big data analytics and artificial intelligence technology to establish an intelligent decision-making platform that delivers actional insights and strategic guidance to support our business operations. In particular, regarding big data applications, we are systematically advancing data asset governance as part of our broader digital transformation strategy. This includes the development of a full-lifecycle data asset catalog, alongside the implementation of structured data classification and organization protocols. Concurrently, we are exploring the establishment of a unified data standardization framework (including clearly defined business indicators and standardized data interfaces), thereby enabling comprehensive and consistent management across the entire data life cycle. Regarding AI applications, to drive breakthroughs in key business scenarios, we are accelerating the deployment of AI technologies across both the manufacturing and management sectors. In particular: (i) in the manufacturing sector, we are introducing machine vision inspection models, automated fastening robotics and intelligent angle detection systems for bending machines to enhance precision and throughput in processing and assembly; and (ii) in the management sector, we are developing an NLP-powered intelligent contract review system to mitigate compliance risks, an automated pricing model that evaluates market and cost variables to dynamically optimize pricing strategies and capture market opportunities, and an enterprise-level knowledge graph and repository to facilitate cross-functional knowledge sharing.

We are confident that the implementation of this digitized system will catalyze a shift from experience-based to data-driven operational management which substantially elevates our digital governance operational performance.

OUR BUSINESS MODEL

We are a leading provider of integrated smart agriculture solutions in China. We bring together advanced intelligent agricultural machinery technologies and smart agriculture technologies to deliver a full suite of intelligent agricultural machinery and smart agriculture solutions covering the entire agriculture production cycle. Our offerings are designed to help customer increase yields, reduces losses, lower operating costs and improve overall efficiency. This enables our transformation from traditional manufacturing to high-value, service-oriented manufacturing, and supports our pursuit of high-quality development.

The following diagram illustrates our business model:



Agricultural Machinery-Driven Foundation. Our business is rooted in a comprehensive portfolio of agricultural machinery, including tractors, harvesting machines and agricultural implements. Our full suite of intelligent agricultural machinery spans the entire modern agricultural production cycle, covering field preparing, planting, field management, harvesting, straw handling and grain drying. Designed for a wide range of crops, farming practices, operating conditions and farm sizes, our intelligent agricultural machinery addresses diverse user needs across different agricultural landscapes. Importantly, our equipment forms not only the foundation of mechanized production, but also the physical infrastructure of our business model. By equipping our machinery with intelligent terminals and communication modules, we enable real-time data collection, environmental sensing and machine-to-platform integration, forming the operational foundation of our integrated smart agriculture solutions.

Comprehensive Smart Agriculture Services. Leveraging our full-suite intelligent agricultural machinery, we offer smart agriculture services through full-cycle smart agriculture systems built around the entire chain of "perception — analytics and decision-making — execution," that together form a closed-loop solution for precision farming and intelligent decision-making. The key systems include: (i) the agricultural information monitoring system that serves as the perception layer, collecting real-time environmental and operational data; (ii) the smart agriculture management platform that functions as the analytics and decision-making layer, supporting a wide array of applications including planting planning, machinery task scheduling, resource allocation, intelligent alerts, data visualization, service resource coordination and full-lifecycle machinery management, and producing actionable insights and operational instructions; and (iii) the precision operation system that represents the execution layer, converting digital instructions into automated, high-accuracy field operations through intelligent agricultural machinery. These systems work in tandem to convert agronomic experience and field data into automated, precision-based operation instructions, enabling coordinated operations across various intelligent agricultural machinery, delivering efficient and scientifically grounded farming solutions that continuously create value for our customers.

Self-Evolving Ecosystem. By seamlessly connecting hardware, software, data and platforms, our integrated smart agriculture solutions enable systemized machinery deployment, streamlined data linkage, platform-based software architecture and end-to-end solution delivery. With strong support from our stakeholders, this framework has evolved into a self-evolving ecosystem, one that not only strengthens user reliance on our solutions but also fosters long-term customer loyalty and builds a robust competitive moat. Supported by national policy initiatives to promote smart agriculture, our integrated ecosystem positions us as both a machinery provider and a technology enabler. We believe our business model offers long-term scalability and resilience, enabling us to drive sustainable growth while playing a pivotal role in advancing China's agricultural modernization.

OUR PRODUCTS AND SMART AGRICULTURE SOLUTIONS

We offer a full-suite agricultural machinery empowered by the integrated smart agriculture technologies that together support the entire agricultural production cycle. Our full-suite intelligent agricultural machinery covers tractors, harvesting machines and agricultural implements, spanning the entire modern agricultural production cycle, covering field preparing, planting, field management, harvesting, straw handling and grain drying. In addition, our smart agriculture services focus on real-time data from agricultural machinery operations, seamlessly integrating IoT, AI and big data technologies to enable multidimensional perception of soil, crop and environmental conditions. AI-driven analysis produces precise operational recommendations, which guide intelligent agricultural machinery to perform coordinated and accurate field operations, enhancing agricultural productivity and operational quality.

The following table sets forth a breakdown of our revenue for our agricultural machinery products by category in absolute amount and as a percentage of our total revenue for the years indicated:

	Year ended December 31,					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)					
Sales of agricultural machinery	15,738,128	98.7	14,502,922	98.8	17,183,315	98.8
– Tractors	7,943,740	49.8	7,775,397	52.9	9,057,350	52.1
– Harvesting machines	7,254,780	45.5	6,144,335	41.9	7,092,236	40.8
– Agricultural implements and others	539,608	3.4	583,190	4.0	1,033,729	5.9
Others[(1)]	211,916	1.3	173,426	1.2	209,723	1.2
Total	**15,950,044**	**100.0**	**14,676,348**	**100.0**	**17,393,038**	**100.0**

Note:

(1) Mainly including revenue generated from sales of parts and components to Weichai Power Group for engine manufacturing.

Agricultural Machinery

We have a comprehensive product portfolio encompassing high-quality intelligent agricultural machinery, primarily comprising (i) tractors; (ii) harvesting machines; and (iii) agricultural implements. Aiming to revolutionize modern agriculture, our full-suite intelligent agricultural machinery spans the entire modern agricultural production cycle, covering field preparing, planting, field management, harvesting, straw handling and grain drying. Grounded in our deep understanding of user demands, we offer a wide selection of intelligent agricultural machinery featuring different power configurations and technology applications to meet their precise needs under different operational scenarios. As of December 31, 2024, we offered 7,487 SKUs of high-quality agricultural machinery. The following chart sets forth the matrix of our agricultural machinery products:

The following table sets forth a breakdown of the sales volume and average selling price of our major agricultural machinery for the years indicated:

	Year ended December 31,								
	2022			2023			2024		
	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP
	(RMB in thousands)	*(unit)*	*(RMB/unit)*	*(RMB in thousands)*	*(unit)*	*(RMB/unit)*	*(RMB in thousands)*	*(unit)*	*(RMB/unit)*
Tractors	7,943,740	90,019	88,245	7,775,397	80,591	96,480	9,057,350	84,455	107,245
Harvesting machinery	7,254,780	49,688	146,007	6,144,335	34,324	179,010	7,092,236	39,851	177,969

Note:

(1) The ASP is calculated by dividing the revenue by the sales volume in the indicated period.

Tractors

We offer a comprehensive portfolio of tractors with different power configurations and technology applications for multiple operational scenarios. Our comprehensive tractor portfolio covers the full power range from 25 to 340 horsepower, featuring robust power performance, exceptional electronic chassis, innovative intelligent interconnectivity, advanced hybrid energy efficiency, extensive operational adaptability and superior user convenience and comfort. Our revenue generated from tractors was RMB7,943.7 million, RMB7,775.4 million and RMB9,057.4 million in 2022, 2023 and 2024, respectively, representing 49.8%, 52.9% and 52.1% of our total revenue in the respective years.

The following table sets forth a breakdown of our revenue in absolute amount, sales volume, and average selling price of tractors by technological path for the years indicated:

	Year ended December 31,								
	2022			2023			2024		
	Revenue	Sales volume	Average Selling Price	Revenue	Sales volume	Average Selling Price	Revenue	Sales volume	Average Selling Price
	(RMB in thousands)	*(unit)*	*(RMB)*	*(RMB in thousands)*	*(unit)*	*(RMB)*	*(RMB in thousands)*	*(unit)*	*(RMB)*
Tractors									
– Mechanical shift	7,901,598	89,783	88,008	7,611,168	79,969	95,176	7,276,227	76,915	94,601
– Power shift	32,406	224	144,669	121,045	566	213,860	1,685,526	7,415	227,313
– CVT	9,736	12	811,359	43,184	56	771,147	95,597	125	764,778
Total	**7,943,740**	**90,019**	**88,245**	**7,775,397**	**80,591**	**96,480**	**9,057,350**	**84,455**	**107,245**

Robust power performance. Our tractors are equipped with high-performance power systems featuring specially-tailored engines provided by our Controlling Shareholder, the Weichai Group, which are customized and calibrated to achieve optimal engine performance parameters, delivering exceptional operation capability under multi-scenario, high-intensity and heavy-load agricultural activities, such as deep loosening and field preparing. For example, we develop the engine and transmission together as an integrated powertrain system. This ensures each component operates in its most efficient range, delivering reliable and high-performance support for large-scale agricultural operations.

Exceptional electronic chassis. Our comprehensive tractor product portfolio encompasses three technological pathways: mechanical shift, power shift and continuously variable transmission ("CVT"). The application of power shift technology reduces clutch failure, and the implementation of convenient shuttle shift lever lowers users' operational intensity and enhances work efficiency. The application of CVT technology ensures seamless power delivery during gear shifts while automatically adjusting speed based on real-time load conditions. This guarantees uninterrupted operation, reduces user efforts and ultimately boosts efficiency while lowering fuel consumption. Our advanced CVT and power shift technologies are rapidly replacing traditional mechanical shift application across our product portfolio, driving the agricultural machinery industry toward the development of CVT and power shift technologies.

Innovative intelligent interconnectivity. Our tractors are compatible with smart agriculture solutions. For example, our tractors feature intelligent driving technology based on a high-precision navigation system, enabling remote and automatic operation. Furthermore, real-time operational data is collected and transferred to the smart agriculture management platform via the TBOX terminal for data analysis during agricultural activities. Our smart agriculture management system offers accurate advice to optimize the operation of agricultural activities through our Lovol APP. Users can also monitor the equipment condition and operational status through our Lovol APP. By adopting industry-standard ISOBUS protocols, we also ensure seamless coordination between our tractors and agricultural implements, thereby significantly enhancing operational consistency and productivity.

Advanced hybrid energy efficiency. We are actively developing next-generation new energy hybrid tractors, featuring an advanced high-efficiency Electric CVT system that offers significant advantages traditional mechanical models. This system first achieved transmission efficiency by seamlessly coupling electric and mechanical power, lowering energy consumption and reduced maintenance needs, which significantly enhanced the overall reliability and ensured continuous stable operation of the tractors. Additionally, we have innovated the vehicle control system architecture by independently developing the integrated battery, motor and electronic control modules, along with a thermal management system. This enables optimal energy management across the entire vehicle, ensuring precise control and smooth coordination between the tractor and its implements, further boosting operational performance. We've also introduced high-voltage interfaces compatible with multiple voltage platforms to meet the power-matching requirements of high-end intelligent agricultural implements and support future electrification. Our hybrid tractors have been comprehensively optimized for ease of use, durability and energy efficiency, enabling users lower operating costs, reducing labor inputs and significantly increase productivity, all of which advancing sustainable agricultural development.

Extensive operational adaptability. Our tractors demonstrate outstanding adaptability to different scenarios. Anchored on our comprehensive product portfolio, our tractors cover 25-340 horsepower. With specially tailored models available for various scenarios including drylands, paddy fields, orchards and facility agriculture. Leveraging our R&D capabilities for full-suite agricultural machinery, our tractors can pair with multiple agricultural implements to cater to user needs under different farming activities. For example, fitted with the advanced power shift or CVT technologies, our tractors can seamlessly adapt to complex terrains, catering to the diverse needs of global users across a wide range of scenarios. For example, by adopting a load-sensing hydraulic system, we achieve perfect compatibility with high-end electric seeders. Our proprietary technologies also deliver customized solutions tailored to specific agricultural environments. For example, the auto-leveling system ensures outstanding operational efficiency and quality of work for paddy field pulping operations.

Superior user convenience and comfort. We highly value user comfort and operational convenience. For example, our tractors feature an intelligent vehicle electronic coordinated control platform, enabling unified operation interface for multiple functions. In addition, the new-generation cab offers users an unobstructed panoramic view. Furthermore, considering the time-consuming nature of outdoor agricultural activities, our products are equipped with excellent noise-cancelling systems and all-weather temperature control, addressing the persistent challenges in cab sealing and excessive noise levels. Additionally, we've overcome key technical challenges in suspended front axles and suspension cabin, ensuring a smooth and comfortable driving experience even on uneven terrain.

The picture below demonstrates some key features of our tractors:

Harvesting machines

We have the most comprehensive portfolio of harvesting machines in China, according to Frost & Sullivan, primarily including wheel type harvesting machines, crawler type harvesting machines, corn harvesters and other specialized agricultural equipment. Our comprehensive harvesting machines portfolio covers 80 to 460 horsepower with feeding capacities ranging from 8 to 18 kg/s, featuring high harvesting efficiency, advanced technology integration and extensive operational adaptability. Our revenue generated from harvesting machines was RMB7,254.8 million, RMB6,144.3 million and RMB7,092.2 million in 2022, 2023 and 2024, respectively, representing 45.5%, 41.9% and 40.8% of our total revenue in the respective years.

The following table sets forth a breakdown of our revenue in absolute amount, sales volume, and average selling price of our harvesting machines by product types for the years indicated:

	Year ended December 31,								
	2022			2023			2024		
	Revenue	Sales volume	Average Selling Price	Revenue	Sales volume	Average Selling Price	Revenue	Sales volume	Average Selling Price
	(RMB in thousands)	*(unit)*	*(RMB)*	*(RMB in thousands)*	*(unit)*	*(RMB)*	*(RMB in thousands)*	*(unit)*	*(RMB)*
Harvesting machines									
– Wheel type harvesting machines	3,401,301	21,736	156,482	3,035,009	15,231	199,265	3,596,957	17,156	209,662
– Crawler type harvesting machines	2,054,148	18,190	112,927	1,417,287	11,253	125,947	1,877,177	15,068	124,580
– Corn harvesters	1,674,868	8,842	189,422	1,576,103	7,095	222,143	1,255,417	5,312	236,336
– Specialized harvesters[(1)]	124,463	920	135,285	115,936	745	155,619	362,685	2,315	156,667
Total	**7,254,780**	**49,688**	**146,007**	**6,144,335**	**34,324**	**179,010**	**7,092,236**	**39,851**	**177,969**

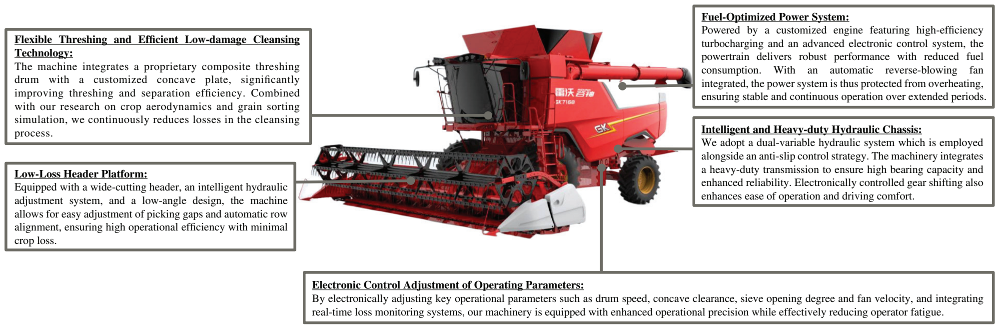
Note:

(1) Our specialized harvesters mainly include peanut harvesters and forage harvesters.

Wheel type harvesting machines

Our wheel type harvesting machines are primarily used for crop harvesting in the central, northwestern and northeastern regions of China. Having undergone technical iterations, our wheel type harvesting machines focus on mainstream wheel type harvesting machines with a longitudinal axial flow roller. Our models are highly adaptable to meet harvesting needs for a variety of crops, including wheat, sorghum and soybeans, ensuring optimal performance in diverse agricultural scenarios. We also continuously develop new technologies and features to improve the efficiency of our harvesting machines and have launched the first 18 kg/s large-capacity harvesting machines in the industry, achieving 50 mu/hour efficiency and filling a critical gap in the domestic market.

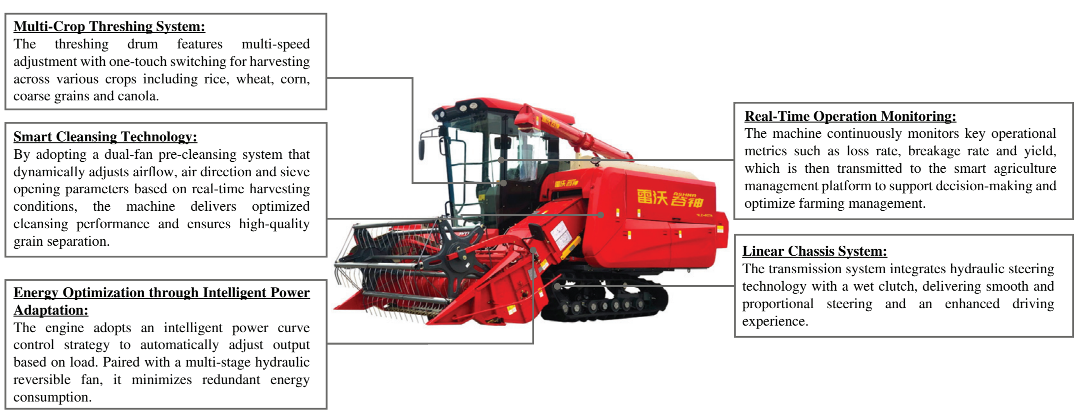
The picture below demonstrates key features of our wheel type harvesting machines:



Crawler type harvesting machines

Our crawler type harvesting machines are primarily used for paddy harvesting in the central and northeastern regions of China. Providing reliable performance to meet user needs, our crawler type harvesting machine excels in key performance metrics such as grain loss rate, impurity rate and grain damage rate.

The picture below demonstrates some key features of our crawler type harvesting machines:



Corn Harvesting Machine

Our corn harvesting machines cover all major types prevalent on the market: corn harvesting machine with horizontal roller, corn harvesting machine with vertical roller and corn harvesting machine with a combination of snapping plate and stalk header. These models meet corn harvesting needs, featuring reliable performance and versatile adaptability to meet diverse user needs, excelling in several key performance indicators including total loss rate, breakage rate of kernels and ear impurity rate. Such precision engineering effectively reduces losses during harvesting and improves users' economic returns.

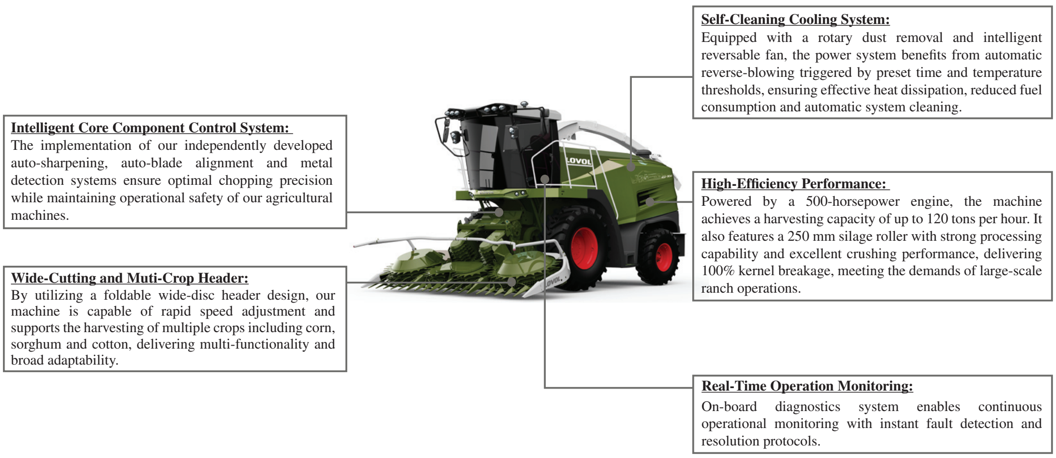
The picture below demonstrates some key features of our corn harvesting machines:

Specialized Harvesting Machines

Our specialized harvesting machines cover peanut harvesters, forage harvester and mower conditioners. Featuring intelligent control systems and adjustable components, they are designed to meet different operational needs and to adapt complex environments, enhancing reliability and efficiency.

The picture below demonstrates some key features of our specialized harvesting machines, including peanut harvesters and forage harvesters:

Forage harvesters



Peanut harvesting machine

Mower conditioner

Agricultural Implements

In addition to our core offerings of tractors and harvesting machines, we have cultivated an extensive product line for agricultural implements that covers field preparing, planting, field management, straw handling and grain drying, forming a solid foundation for synergies among tractors, harvesting machines and agricultural implements. Our revenue generated from agricultural implement and others was RMB539.6 million, RMB583.2 million and RMB1,033.7 million in 2022, 2023 and 2024, respectively, representing 3.4%, 4.0% and 5.9% of our total revenue in the respective years. Set forth below are our esteemed products that are used in field preparing, planting, field management, straw processing and drying scenarios:

- **Field Preparing:** We provide hydraulic reversible plough with various configurations, catering to the need of for different land parcels. Equipped with advanced deep loosening and field preparing monitoring systems that can monitor tillage depth in real-time, such plough is adaptive to various soil and terrain, conducting field preparing operations with higher efficiency and precision.

- **Planting:** Our precision planter and drill seeders are able to address the seeding requirements of corn, soybeans and wheat. Our precision vacuum planter are available in models ranging from 2 to 18 rows, covering both mechanical and electric models to meet operational needs across China. To support large-scale cultivation of grain and oil crops, we have also successfully developed a high-performance multi-functional drill seeders. By combining a power harrow with the drill seeders, we reduce the number of field passes required. This model adopts electric-driven seed metering technology and an independent contour-following system for each unit, ensuring more precise and uniform seed distribution, consistent seeding depth, which significantly improved seed utilization and reduced production costs. To validate its performance, we implemented 50-mu demonstration fields in 50 major wheat-producing counties across six provinces in China to gain experiment on its performance in 2023, with the capacity to achieve a yield increase of over 15%, demonstrating exceptional outcomes.

- **Field management:** Our self-propelled large sprayers feature a 4,000L chemical tank and a 450L clean water tank, with a 27-meter boom that provides wide coverage and precise, uniform spraying. Equipped with variable-rate spraying technology, it enhances chemical penetration and improves targeting accuracy, which minimizes the use of pesticides and fertilizers. The sprayer also deploys a positive-pressure cab that isolates the operator from chemicals, dust and noise. Combines with a four-wheel independent suspension system, it delivers a smooth rider even at an operating speed of 15-25 km/h.

- **Straw handling:** Our square balers and round balers cater to varied straw baling operations for a wide range of crops including wheat, oats, alfalfa, corn, rice, sorghum, reeds and sunflowers. Equipped with automatic density control technology, they maintain precision in bale density, optimize storage space, making transportation more convenient and reduce logistics costs. These machines are known for their high efficiency, durability and strong economic performance.

- **Drying:** We offer both recirculate and continuous-flow dryers suitable for crops like corn, wheat, rice and rapeseed. Our recirculating agricultural dryers and continuous-flow agricultural dryers accommodate drying operations of multiple crops including corn, wheat, rice and rapeseed. Our dryers significantly increase drying speed while reducing energy consumption compared to traditional models. Additionally, our heat recovery technology allows for the reuse of heat, greatly reducing energy consumption.

These agricultural machines and implements are designed for a wide range of applications and environments, and they operate reliably under complex conditions and adapt to diverse farming needs.

Smart Agriculture Services

Leveraging our full-suite intelligent agricultural machinery, we offer smart agriculture services through full-cycle smart agriculture systems built around the entire chain of "perception — analytics and decision-making — execution." Centering on real-time data generated during agricultural machinery operations, these systems deeply integrate IoT, AI and big data technologies to enable multidimensional perception of soil, crop and environmental conditions. AI-driven analysis produces precise operational recommendations, which guide intelligent agricultural machinery to perform coordinated and accurate field operations. This enables a closed-loop management process across the entire agricultural production cycle, making farming more transparent, measurable, controllable and precise. Our smart agriculture services significantly enhance agricultural productivity and operational quality, accelerating the transformation of agricultural production toward greater precision, efficiency, intelligence and sustainability. Ultimately, we help realize truly "scientific farming" by delivering increased yield, reduced loss, lower cost, and improved efficiency for our customers.

Set forth below are the key smart agriculture systems:

- ***Perception Layer: Agricultural Information Monitoring System.*** This system integrates multi-source sensors and satellite remote sensing technologies to build a unified "space-air-ground" agricultural monitoring framework. It enables real-time perception of key agricultural indicators such as soil moisture levels, crop growth and pest and disease occurrences. By integrating agricultural machinery data, field monitoring data, and historical agronomic records, we are able to continuously optimize and train our AI-powered decision-making models. This enables more precise management across key aspects of agricultural production, including irrigation, nutrient adjustment, pest and disease control and crop growth optimization. Based on the integrated datasets, this system constructs a dynamic data map that provides high-quality input for intelligent analysis and model refinement, delivering a strong foundation for data-driven decision-making.

- ***Analytics and Decision-making Layer: smart agriculture management platforms.*** To further enhance agricultural analysis and decision-making capacities, we have developed a smart agriculture management platform that supports the comprehensive management of the full agricultural production cycle. Powered by big data analysis and AI algorithms, alongside integrated capabilities of our IoT platform, intelligent service decision system and the Smart Agriculture Lovol APP, the platform is capable of in-depth analysis and mining of operational and field data, supporting a wide array of applications such as planting planning, machinery task scheduling, resource allocation, intelligent alerts, data visualization, service resource coordination and full-lifecycle machinery management. This enables comprehensive monitoring, efficient operation management and intelligent decision support, advancing the digitization and precision of agricultural production.

- ***Execution Layer: Precision Operation System*.** Building on the solid foundation of intelligent agricultural machinery, our precision agriculture technologies cover all critical stages of agricultural production, driving greater operational efficiency and accuracy.

  o **At the field preparing: stage**, our tractors and tillage implements are equipped with advanced monitoring systems that track field preparing depth in real time. The system intelligently adjusts operations based on varying soil conditions, ensuring each plot of land is optimally prepared.

  o **At the planting stage**, our electric precision planter (電驅精量播種機) are equipped with advanced seeding control systems that ensure accurate seed spacing and depth. The system also enables real-time monitoring of the planting process, enhancing visibility, traceability, and overall seeding quality.

  o **At field management stage**, our large self-propelled sprayers integrate visual navigation and variable-rate spraying and fertilization technologies and can tailor input volumes of fertilizers and pesticides to specific field conditions. This machine also utilizes computer vision technology to identify weeds in real-time, enabling targeted spraying and significantly reducing pesticides usage.

  o **At the harvesting stage**, our harvesting machines are equipped with advanced systems for monitoring grain loss, impurities, and kernel breakage, along with yield monitoring capabilities. Real-time data analysis enables intelligent process optimization, minimizing grain loss, impurity content, and mechanical damage. The yield monitoring system provides accurate yield data, improving both harvesting quality and operational efficiency.

Discontinued Operations

In August 2022, we completed the disposal of our tricycle operations into Shandong Wuxing Vehicle Co. Ltd. See "History, Development and Corporate Structure — Major Acquisitions, Disposals and Mergers" and "Financial Information — Description of Major Components of Our Results of Operations — Discontinued Operations."

RESEARCH AND DEVELOPMENT

We believe that research and innovation is critical to our long-term competitiveness and success. Supported by our global R&D network, we accelerate the development of a robust technology innovation ecosystem by integrating insights and expertise from leading talent in intelligent agricultural machinery and smart agriculture worldwide. This strategy, driven by global cross-functional collaboration, enables us to comprehensively evaluate and refine our product and technology portfolio, stay aligned with market trends and actively shape industry standards. In addition, we pursue strategic partnerships with universities, research institutions and technology partners across the value chain. This distinctive model allows us to combine technological innovation with deep industry insight.

As of December 31, 2024, we had over 2,500 personnel across our R&D system, among which approximately 33.5% possess a master's degree or above. According to Frost & Sullivan, we had the largest R&D team in agricultural machinery industry in China during the Track Record Period. Our R&D expenses amounted to RMB570.6 million, RMB676.9 million and RMB838.6 million in 2022, 2023 and 2024, respectively. Our R&D efforts have resulted in continual technological breakthroughs and product innovations, which make us outstanding in the industry. As of the Latest Practicable Date, we held 2,443 patents, including 1,905 utility model patents, 168 invention patents and 370 industrial design patents in mainland China, and 49 patents in countries and regions other than mainland China. We also led and participated in the formulation of 26 national standards, 18 industry standards and 56 association standards.

Our R&D Platform and Mechanism

R&D Platform

We have established an efficient global R&D network that attracts top talent and drives innovation through strategic collaboration between our domestic teams and international technology partners. Capitalizing on global technological resources and insights, we continuously enhance the technological sophistication and competitiveness of our products.

In China, we have established a strong centralized R&D head institute, Weichai Lovol Intelligent Agriculture Research Institute, which plays a crucial role in coordinating innovation and integrating resources. Under the centralized governance of the head institute, we have four specialized research institutes and one testing center. The four specialized research institutes include: (i) the research institute for tractors, which focuses on the R&D of tractors and agricultural implements; (ii) the research institute for harvesting machines, which focuses on the R&D of wheel type combines, crawler type combines, corn harvesters and specialized combine; (iii) the research institute for smart agriculture, which focuses on the R&D of intelligent driving systems, precision operation technologies and smart agriculture management platform; (iv) the research institute for overseas market, responsible for product development tailored to markets outside China; and (v) the testing center, which conducts performance verification and validation for tractors, harvesting machines, and agricultural implements. These units operate through an integrated digital R&D platform and comprehensive testing systems, enabling efficient resource allocation and knowledge sharing. We were the first agricultural machinery company in China to establish a large-scale Smart Agriculture research institute, according to Frost & Sullivan.

Leveraging our centralized R&D head institute, we integrate top-tier domestic technology resources and have established regional R&D centers in North and East China. Looking ahead, we plan to set up an additional R&D center in Northwest China. These R&D centers focus on core technology areas such as intelligent driving, new energy and smart agriculture, complementing the capabilities of our Weifang head institute. This regional R&D network further strengthens our leadership in agricultural innovation across China.

We actively collaborate with leading global technology partners to strengthen our high-end product offerings and core technological capabilities. Specifically, (i) our collaboration with innovation partners in Japan focuses on paddy-field machinery, such as paddy-field tractors, crawler type harvesting machines and rice transplanters; (ii) our collaboration with innovation partners in Germany focuses on large-capacity harvesting machine, high-horsepower tractors and high-end agricultural implements; and (iii) our collaboration with innovation partners in Austria focuses on the development of high-end electronic chassis technologies.

R&D Mechanism

We treat each product as an adaptable platform capable of integrating various specialized or standardized modules. This approach allows us to quickly respond to market demands by developing specialized modules and implementing iterations without redesigning the entire product. Additionally, standardized modules such as high-precision navigation modules can be reused across multiple product lines which significantly reduces R&D expenses and ensures product consistency and reliability.

Following this strategy, we conduct annual project planning and review all ongoing product or technology development. If a product-in-progress is deemed unprofitable, we suspend its commercialization process but archive the technology for potential future use. For launched products, we evaluate the optimal timing for upgrades and iterations, and gradually phase out outdated products. Throughout the full development cycle of our products and solutions, our R&D teams regularly meet with other departments to synchronize information and progress, ensuring a holistic assessment of our products and technologies.

To facilitate data sharing and design collaborations, we utilize the renowned Teamcenter platform as our core R&D IT infrastructure, which enables seamless data synchronization by integrating various data sources and ensuring real-time updates. Additionally, we implement the BOM (Bill of Material) platform deployed on the basis of the PLM (Product Lifecycle Management) system to connect data and information gathered during R&D, inventory control, manufacturing and sales. By streamlining processes and improving coordination across different teams and departments, the implementation of such IT infrastructures provides a solid foundation for our R&D decision-making, enhancing efficiency and quality in the development process.

Our Key Technologies

We have strategically focused on key technologies around the Smart Agriculture ecosystem, including enhancing high-end intelligent agricultural machinery and enabling precision agriculture through integrated data utilization across agricultural production processes, which promotes sustainable and efficient farming practices.

Key Technologies for Our Products

As the cornerstone of Smart Agriculture, we focus on the research of high-end and intelligent agricultural machinery to meet our product demand. Our core technologies in intelligent agricultural machinery enable enhanced operational efficiency, ease of use and reduce operational costs for our customers, building competitive strength for our products. Set forth below are the key technologies for our intelligent agricultural machinery:

- **Power shift transmission technology.** We have independently developed a power shift transmission system which enables operators to execute directional and gear changes through electronically controlled buttons or push levers free from clutch pedal operations. This innovation enhances operational efficiency while allowing real-time adjustment of intelligent agricultural machinery performance to match working conditions, improving work efficiency while offering higher energy efficiency and reliability.

- **CVT technology.** We have pioneered the launching of the first CVT tractor in the PRC, leading the industry transition from mechanical or power shift tractors to CVT tractors. Our technology enables stepless speed regulation in the range of 0-40km/h, optimizing power output and fuel efficiency across all operating conditions, which improves overall productivity and reduces fuel consumption.

- **Large-capacity harvesting machines related technologies.** Our continuous R&D in large-capacity harvesting machines covers headers, threshing and cleaning and intelligent operation. By designing and implementing interchangeable headers and threshing devices, our large-capacity harvesting machines can adapt to various crops such as corn, soybeans and wheat. This enhances operational efficiency and reduces the costs of our customers. Our large-capacity harvesting machines research project "Key Technologies and Applications of Intelligent High-Efficiency Low-Loss Harvesting for Large Harvesting Machines" claimed First Prize of the Agricultural Machinery Science and Technology Award (2024年度農業機械科學技術獎) in 2024, being the only First Prize awarded that year.

- **Intelligent driving.** Our high-precision navigation technology is capable of centimeter-level positioning with an accuracy of ±2.5 cm, which enables path planning, vehicle navigation and automated operations. Our intelligent driving systems are commercially operational. Our intelligent agricultural machinery is becoming more user-friendly by reducing the need for manual adjustments during agricultural operations.

Key Technologies for our Smart Agriculture Solutions

Our integrated smart agriculture solutions are built upon the foundation of intelligent agricultural machinery, leveraging technologies such as the IoT, big data and AI to enable digital sensing, intelligent decision-making, and precise operations throughout the entire agricultural production cycle. From planting to harvesting, we empower data-driven, science-based decision-making to enhance precision farming practices. These core technologies, through real-time data collection, monitoring and analysis, support farmers in making accurate and informed decisions, thereby improving productivity and promoting sustainable agricultural development. Our key technologies include the following:

- ***IoT and sensor technologies***: We have independently developed a range of agriculture-specific sensors and TBOX units, which are widely deployed across agricultural machinery and field operations. These devices enable real-time monitoring of key parameters such as machine operating status, work quality, soil moisture, temperature, and crop growth conditions. Leveraging advanced wireless communication technologies, the data collected is transmitted to the cloud for in-depth analysis, facilitating comprehensive digital sensing throughout the agricultural production process and supporting precision management and optimized decision-making.

- ***Model-based decision-making and big data analytics***: Our smart agriculture management platform aggregates extensive data from agricultural operations, such as machinery usage, soil conditions, climate factors and crop growth, and leverages big data analytics and AI to deliver precise decision-making support. These datasets are used to build decision models across key domains such as nutrient management, irrigation control, crop development and pest and disease prevention. The system enables users to make data-driven, granular decisions, optimizing activities such as planting, irrigation, fertilization and harvesting, thereby improving both productivity and sustainability.

- ***Precision operation technology***: We have independently developed a precision operation system based on ISOBUS standards. Guided by decision-making insights from our smart agriculture management platform, intelligent agricultural machinery can accurately adjust inputs such as fertilizers, irrigation and pesticides to perform variable-rate operations. This enables the maximization of crop yield and quality while reducing resource waste and environmental impact. For example, during fertilization, the system applies nutrients based on varying soil fertility levels, thereby minimizing input waste and enhancing productivity.

Our Strategic Collaborations

We engage in strategic collaborations with research institutes, universities, as well as upstream or downstream enterprises. We have established long-term collaboration with renowned universities and research institutes on joint research and talent development, which has deepened our insights into industry trends and emerging technologies and introduced us to new technologies and resources. As of the Latest Practicable Date, we have established long-term industry-university-research collaborations with over 50 leading domestic and international universities and research institutes, including the Institute of Computing Technology of Chinese Academy of Sciences, China Agricultural University and Chinese Academy of Agricultural Mechanization Sciences, as well as research teams led by over ten top domestic industry experts such as Academician Luo Xiwen and the research team led by Academician Zhao Chunjiang. Together, we have undertaken over 110 national and prefectural-level key projects, covering a range of innovative and cutting-edge technologies based on our practical needs. For example, we collaborated with China Agricultural University in research and development of dynamic and static crop image recognition used in variable-rate fertilizer and crop yield prediction, expanding the application possibilities in the field of precision agriculture. We have also collaborated with universities and research institutes to establish multiple laboratories and technology innovation platforms. For example, we have established one of the first "Innovation China (科創中國)" intelligent agricultural machinery industry-university-research innovation bases recognized by the China Association for Science and Technology (中國科學技術協會).

Set forth below are the salient terms of the agreement we have entered with our R&D partners.

- ***Rights and obligations.*** We and our partners undertake respective R&D tasks based on an agreed-upon development plan and technical research directions and indicators.

- ***Confidentiality.*** Without prior written consent from the other party, neither party shall disclose, publish, announce, transfer or otherwise reveal any information, such as technical and trade secrets, belonging to either party or being generated during the research process for which the parties have a duty of confidentiality. The confidentiality obligations of both parties remain effective for a period after the termination of the agreement and are not affected by termination.

- ***Payment.*** We generally agreed on a fixed total price for the contract. We typically make payments in installments according to the agreed-upon milestones or stages, and terms are adjusted according to the acceptance results.

- ***Intellectual property.*** Intellectual property rights obtained by each party prior to the application for the project shall remain the property of the respective party. Intellectual property resulting from jointly completed work will typically be co-owned by the parties. Neither party shall transfer the research results to a third party before delivering the R&D results to the other party and within the confidentiality period. For collaboration involving products or technologies embedded with our proprietary technologies, the intellectual property will typically be owned by us.

- ***Termination.*** The agreement automatically terminates upon completion of the research project pursuant to the terms of the agreement. Alternatively, if affected by force majeure, a party may apply for project termination, and the project terminates upon the other party's consent.

OUR PRODUCTION

Our comprehensive and advanced production capabilities are the foundation of our business. Leveraging our superior manufacturing technologies and large-scale production capacity, we ensure the consistent high quality of our products and stay agile in response to changes in market demands.

Production Planning and Production Process

Production Planning

We typically develop our production plan based on our production schedules, sales orders (including anticipated orders) and the time of year. To effectively manage the risk of overproduction and seasonality, our production, procurement, human resources, quality control and marketing departments collectively review our production plans and make adjustments to our procurement, production volume and schedules every month. We also review our production schedules on a weekly basis to accommodate incoming orders.

Production Process

We continuously optimize our production process and explore new techniques to enhance the ongoing technological advancements of our products. Our production process is highly standardized and automated. Our production team continuously maintains our production equipment and machinery to meet high production standards and improve production efficiency.

Set forth below are the key steps in the production process for agricultural machinery:

- ***Cutting and Bending***. Metal sheets are precisely cut and bent through plastic deformation to form components with defined geometries. During the bending process, real-time angle monitoring and correction ensures high-precision and high-strength metal components.

- ***Welding***. Multiple workpieces are accurately positioned using dedicated fixtures. Welding is then performed by applying heat, pressure or a combination of both to achieve atomic-level fusion. Key process parameters, including voltage, current and welding speed, are strictly controlled to ensure that the strength of weld seams exceeds that of the base material, meeting structural safety and durability requirements.

- ***Machining***. Cast blanks for components such as transmissions and rear axle housings undergo surface machining, hole drilling, deburring and precision inspection in our machining center. This ensures that key parameters such as flatness, parallelism, perpendicularity and coaxiality conform to design specifications, laying a solid foundation for subsequent assembly.

- ***Coating***. Components then go through multiple processes to apply a uniform functional paint film. Throughout the coating process, temperature, humidity and film thickness are carefully managed and strictly controlled, with film adhesion and color consistency tested to guarantee corrosion resistance standards.

- ***Assembly***. All components are progressively assembled into final products using specialized tooling, including torque control, gap adjustment, pulley coplanarity alignment, pipeline layouts and system module testing, ensuring that the finished products meet operational reliability requirements and comply with performance standards.

Equipment and Technology

Our existing production facilities are equipped with laser cutters, bending machines, CNC machining equipment, welding robots, an assembly production line and detection and testing benches, enabling high-precision and automated manufacturing. Set forth below are the key technologies we have deployed in our current production facilities:

- ***High-precision processing***. Our production line features high-precision capabilities in various manufacturing stages. For example, we deploy precision-working robots in stages including cutting, bending and welding to maintain consistency in product quality. During the bending stage, our CNC bending machines are equipped with laser inspection and correction systems supported by AI-based visual detection technology, enabling automated detection and adjustment of bending angles, improving dimensional accuracy and ensuring each component meets its design specifications. In the machining stage, we utilize a fully automated FMS production line enabling automated end-to-end production from raw materials to finished products, reducing errors and defects while boosting efficiency.

- ***Fully automated coating line***. Our automated coating line integrates the welding, coating and final assembly workshops through a continuous, automated transfer system. Equipped with robotic coating units capable of both automated coating and inspection, our coating line is supported with an automated production flow which reduces manual labor dependency, enhancing coating consistency and operational efficiency.

- ***Flexible assembly line***. Our AGV-based flexible assembly line dynamically adjusts assembly stations to accommodate diverse product models and production demands, enabling multi-product co-line production.

- ***In-line testing station***. Our in-line run-in testing station provides high-precision inspection and real-time analysis to identify product defects. This process ensures that our products comply with stringent quality criteria and meet operational reliability standards prior to shipment.

We are planning to integrate emerging technologies such as 5G and AI into our current and future production facilities, which are expected to accelerate our production by taking over repetitive tasks, reducing human error and optimizing workflows. Set forth below are the key technologies we are planning to implement in our current and future production facilities:

- ***Real-time quality control***. We ensure full 5G network coverage in the Intelligent Tractor Manufacturing Hub that enables seamless data transmission across all production lines. Critical quality parameters are automatically measured and collected during production processes and are compared against preset benchmarks. If a significant deviation occurs, the production line halts automatically.

- ***Enhanced automation***. By introducing automated equipment, we minimize reliance on manual labor and thereby improving operational efficiency and consistency. For example, the Intelligent Tractor Manufacturing Hub is equipped with automated torque stations with robotic arms for precision fastening, as well as robot welding stations to ensure consistent welding quality and optimize production capacity.

- ***AI-assisted quality control***. Implementation of visual guidance systems for real-time defect detection and process optimization is expected to further reduce error rates. We are collaborating with the R&D team from Weichai Group and intend to implement the technology once it is ready.

- ***Integrated aerial-ground automated material transport system***. Our new production facilities will implement a hybrid automated logistics system adopting overhead autonomous vehicles, an Electrical Monorail System (EMS) for transporting cabin modules, fuel tanks and tires to workstations and ground-level AGV delivering components to specific assembly line stations. This integrated approach optimizes spatial utilization while ensuring accurate and timely material delivery and effectively saving labor.

Production Capacity

As of December 31, 2024, we had six production bases for agricultural machinery and related components with nine production lines. The table below sets forth the details of our agricultural machinery production lines for the periods indicated.

Production Plants	Production Bases	Type of Production Plants as of December 31, 2024	Approximate Total Site Area	Numbers of Production Lines as of December 31, 2024
			(sq.m.)	
Tractor Factory[1]	Weifang, Shandong	Tractors	72,844.9	2
Wheel Type Harvesting Machine Factory	Weifang, Shandong	Wheat harvesting machines, corn harvesting machines	81,697.9	2
Crawler Type Harvesting Machine Factory	Weifang, Shandong	Rice harvesting machines, rice transplanters	44,878.2	2
Agricultural Implements Factory	Weifang, Shandong	Balers, seeding machines, agricultural dryers, hydraulic reversible plows and mower conditioners	61,319.8	1
Components and Parts Factory (Linyi site)	Linyi, Shandong	Drive axles for tractors, harvester gearboxes and transmission systems	55,643.2	1
Components and Parts Factory (Weifang site)	Weifang, Shandong	Engine oil pans, shredders for harvesting machines and header	26,786.6	1

Note:

(1) The construction of our Intelligent Tractor Manufacturing Hub was completed and commenced commissioning in May 2025, featuring a production line for our high-horsepower tractors, with a designed capacity of 50,000 units per year, operating 300 days per year, achieving technological upgrades in the manufacturing processes for high-horsepower tractors.

See "— Properties" for more details on properties used for production.

The table below sets forth the designed capacity, actual production volume and utilization rate of our production lines during the Track Record Period:

	Year ended December 31,								
	2022			2023			2024		
	Designed Capacity[(1)]	Actual Production[(2)]	Utilization Rate[(3)]	Designed Capacity[(1)]	Actual Production[(2)]	Utilization Rate[(3)]	Designed Capacity[(1)]	Actual Production[(2)]	Utilization Rate[(3)]
			%			%			%
Tractor Factory[(5)]	90,000	69,908	77.7	72,000	87,200	121.1	72,000	74,100	102.9
Wheel Type Harvesting Machines Factory[(6)]	29,600	28,777	97.2	29,600	24,850	84.0	29,600	24,150	81.6
Crawler Type Harvesting Machines Factory[(7)]	23,250	16,877	72.6	23,250	12,850	55.3	23,250	15,700	67.5
Agricultural Implements Factory[(8)]	9,420	3,434	36.5	9,420	2,319	24.6	9,420	2,510	26.6
Components and Parts Factory (Linyi site)[(9)]	280,000	174,451	62.3	320,000	214,389	67.0	350,000	242,534	69.3
Components and Parts Factory (Weifang site)[(10)]	300,000	268,196	89.4	300,000	390,940	130.3	300,000	398,981	133.0

Notes:

(1) The designed capacity of the year is calculated based on the following assumptions: (i) all production lines are functioning at full capacity; (ii) our Tractor Factory operates 300 days per year; and (iii) our other production facilities operate 250 days per year.

(2) The actual production volume during the year is the total volume of the products produced during that year.

(3) The utilization rate during the year equals the actual production volume divided by the designed production capacity during the same year.

(4) As part of the Corporate Separation, we have disposed Lovol Beidahuang, a former subsidiary of our Company. See "History, Development and Corporate Structure — Major Acquisitions, Disposals and Mergers."

(5) The designed capacity of the Tractor Factory decreased from 2022 to 2023, primarily due to our strategic adjustments of the tractor product lineup and the discontinuation of one mid-horsepower tractor production line. The utilization rate of the Tractor Factory increased from 77.7% in 2022 to 121.1% in 2023, primarily due to the increase in actual production volume in response to rising market demand, coupled with the reduction in designed capacity, and then decreased to 102.9% in 2024, primarily due to insufficient market demand for our mid-horsepower tractors.

(6) The utilization rate of the Wheel Type Harvesting Machines Factory decreased from 97.2% in 2022 to 84.0% in 2023, primarily due to the promulgation of a new policy requiring all our agricultural machinery products to comply with a higher national emission standard, which increased the cost for users to purchase new agricultural machinery, leading users to adopt a wait-and-see approach and causing market demand to fall short of expectations. The utilization rate of the same factory remained relatively stable at 81.6% in 2024. Our existing production line are primarily used for harvesting machines with a small feeding capacity of 12kg/s and lower, and is not capable of scalable production of harvesting machines with a large feeding capacity of 12kg/s and above, with only scarce production off the production line. In order to meet the growing demand for high-capacity harvesting machines, we plan to establish the Intelligent Manufacturing Base for High-end Agricultural Machinery to expand production capacity for the relevant products. See "— Production Expansion Plan."

(7) The utilization rate of the Crawler Type Harvesting Machines Factory decreased from 72.6% in 2022 to 55.3% in 2023, primarily due to the promulgation of a new policy requiring all our agricultural machinery products to comply with a higher national emission standard, which increased the cost for users to purchase new agricultural machinery, leading users to adopt a wait-and-see approach and causing market demand to fall short of expectations. The utilization rate of the same factory increased from 55.3% in 2023 to 67.5% in 2024, primarily due to the increase in actual production volume in response to rising market demand.

(8) The utilization rate of the Agricultural Implements Factory was relatively low during the Track Record Period, primarily due to the promulgation of a new policy requiring all our agricultural machinery products to comply with a higher national emission standard. This policy increased the cost for users to purchase new agricultural machinery, leading users to adopt a wait-and-see approach and causing market demand to fall short of expectations. Nevertheless, driven by a market shift towards intelligent agricultural machinery, advancements in agricultural production and supportive policies, the agricultural machinery market is poised to experience demand growth in the foreseeable future, and it is anticipated that the utilization rates for the aforementioned production line will increase simultaneously.

(9) The utilization rate of the Components and Parts Factory (Linyi site) was relatively low during the Track Record Period, primarily due to insufficient market demand for finished agricultural machinery products, which in turn led to an insufficient market demand for components which fall short of expectations.

(10) The utilization rate of the Components and Parts Factory (Weifang site) increased from 89.4% in 2022 to 130.3% in 2023, primarily due to the increase in actual production volume. The utilization rate of the same factory remained relatively stable at 133.0% in 2024, as compared with 130.3% in 2023. It is expected that a production line for components and parts of the related products will be set up in the Intelligent Manufacturing Base for High-end Agricultural Machinery, and the utilization rate of the Components and Parts Factory (Weifang site) is anticipated to return to a stable level accordingly.

From a consumption structure perspective, there is strong demand among users for our high-capacity harvesting machines and high-horsepower tractors. As part of our market strategy and to better align production with this demand, we plan to build a new production base and establish and upgrade production lines. See "— Production Expansion Plan." Additionally, existing production lines will be retrofitted to manufacture parts and components, aiming to enhance the quality of parts and reduce production costs.

As of December 31, 2024, the total production capacity of our tractors, wheel type harvesting machines, crawler type harvesting machines and agricultural implements reached 72,000, 29,600, 23,250 and 9,420, respectively. Building upon our advanced production capacity, we supplied products to users from over 120 countries and regions as of the Latest Practicable Date.

Production Expansion Plan

According to Frost & Sullivan, in terms of sales volume, our intelligent tractors and intelligent harvesting machines occupied market shares of 52.7% and 66.0% in 2024, respectively. Increasing demand in the market and favorable government subsidy policies boosted the growth of our agricultural machinery business, especially our high-horsepower tractors and high-capacity harvesting machines. To facilitate our long-term business development in this growing market and to sustain our market standing, we plan to further expand our capacity by constructing a new production plant.

The table below sets out the details of our further production expansion plan:

Production Base	Type of Products	Designed Annual Production Capacity(1)	Estimated Year of Completion of Construction	Estimated Investment(2)	Status as of the Latest Practicable Date
				(HK$ in million)	
Intelligent Manufacturing Base for High-end Agricultural Machinery . . .	Primarily harvesting machines, mainly with a feeding capacity of 12 kg/s and above high-capacity harvesting machines, self-propelled sprayers, forage machines, mower conditioners, and components and parts for the respective products.	3,000(1)	2027	1,480.6(2)	under planning

Notes:

(1) The designed annual production capacity consists of the aggregated production capacity of large feeding capacity harvesting machines, self-propelled sprayers, forage machines and mower conditioners.

(2) Approximately HK$[**REDACTED**] of HK$1,480.6 million will be from the [**REDACTED**] from the [**REDACTED**]. For further details, see "Future Plans and Use of [**REDACTED**]."

We intend to utilize a combination of net [**REDACTED**] generated from the [**REDACTED**] and our own funds generated from our current business operations to finance each of our production expansion plans. See "Future Plans and Use of [**REDACTED**]."

SALES, MARKETING AND CUSTOMER SERVICE

Our Sales and Distribution Network

Given the extensive range of our product offering, we establish both national and international sales and distribution networks, allowing us to provide products and solutions in over 120 countries and regions worldwide as of the Latest Practicable Date. The table below sets forth our net revenue by geographic regions during the Track Record Period:

	Year ended December 31,					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)					
China	15,001,050	94.1	13,419,145	91.4	15,668,005	90.1
Overseas(1)	948,994	5.9	1,257,203	8.6	1,725,033	9.9
Total	**15,950,044**	**100.0**	**14,676,348**	**100.0**	**17,393,038**	**100.0**

Note:

(1) Other regions include Asia (excluding mainland China), Europe, North America and South America, Africa and Oceania.

We mainly work through selected distribution channels to efficiently serve our users. In addition, we have also adopted a direct sale model with certain strategic customers. We access the overseas market through international distribution partners. Our products are sold through these channels to ensure market penetration and coverage, which is particularly suitable for serving dispersed end-users through localized distribution channels, while maintaining direct connections with agricultural enterprises through our sales team.

During the Track Record Period, we sold our products through direct sales and distribution partners. In each year of the Track Record Period, our revenue from these distribution channels accounted for more than 98.0% of our total revenue.

Our Distribution Network in China

Our distribution network in China operates through stringently structured distribution arrangements to serve our products to end-users. We worked with over 500 distribution partners in each year during the Track Record Period, and do not rely on any single or a few distribution partners. We strictly forbid existing employees from working for or holding equity in our distribution partners. To the best of our knowledge after a reasonable inquiry, all of our distribution partners were independent third parties as of the Latest Practicable Date.

Our distribution partners may independently develop secondary channels when they find it hard to directly cover the rural markets in their authorized areas by themselves. We do not engage directly with sub-distribution channels or participate in their operations. For the management of secondary channels, we require our distribution partners to seek our approval for the establishment of these channels, which are typically subject to our on-site inspections.

We have set high standards and expectations for our distribution partners. Within their authorized areas, we require our distribution partners to uphold our brand equity through: (i) enhancing brand visibility and market presence within their authorized areas through localized promotion activities; (ii) providing comprehensive after-sales support and collecting customers' feedback; and (iii) adhering to our pricing structures and sales policies. Based on our requirements, we rigorously review our business relationship with distribution partners through our strict selection process and annual assessment. In 2022, 2023 and 2024, we terminated our business relationships with 29, 24 and 49 distribution partners, respectively, primarily due to poor business performance or change of key business of these partners. There were no material unsettled disputes or litigation with such terminated distribution arrangements during the Track Record Period and up to the Latest Practicable Date.

The table below sets forth the total number of the distribution partners and their movements (including additions and terminations) for the periods indicated:

	Year ended December 31,		
	2022	2023	2024
Number of distribution partners at the beginning of the period	567	588	631
Number of new distribution partners	50	67	121
Number of terminated distribution partners	29	24	49
Net increase in distribution partners	21	43	72
Number of distribution partners at the end of the period	**588**	**631**	**703**

Management of Our Distribution Channels

We manage our distribution channels in accordance with our internal policies and monitor their performance through our sales management system. Our marketing department is primarily responsible for distribution management, including: (i) development, evaluation and recruitment of new distribution partners; (ii) negotiation and execution of contracts with distribution partners; (iii) on-going management of distribution partners, including oversight of predetermined sales territories, pricing, inventory and account receivables; (iv) provision of sales support; and (v) review and maintenance of distribution networks.

We offer a range of incentives to expand sales through our distribution networks, including: (i) sales rebate; (ii) exclusive sales incentives; and (iii) full payment purchase discounts.

Accounting Policies for Our Distribution in China

In accounting treatment, we account for products sold to our distribution partners that are still part of our own inventory. The revenue from sales of our agricultural machinery is recognized at the point in time when control of the asset is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for these goods. Transfer of control is generally deemed to occur when one or more of the following conditions are met: (i) physical possession of the goods is transferred; (ii) legal title of the goods is transferred; (iii) the significant risks and rewards of ownership of the goods are transferred; (iv) we obtain the right to payment for the goods; and (v) the customer accepts the goods.

No Material Risk of Channel Stuffing

Our management is of the view that channel stuffing is unlikely to occur in our distribution channels and generally does not pose significant managerial concern. This is mainly because we account for products sold to our distribution partners as part of our inventory to carry out reasonable and effective dynamic inventory management to prevent channel stuffing. Additionally, before the distribution partner confirms the realization of sales in the system as set out in the relevant contract, their ownership remains with us, and we retain the right to adjust sales prices and to carry out inventory control by transferring products between different distribution channels. Therefore, our distribution partners cannot accumulate significant inventory for themselves.

Major Terms of Distribution Agreements with Our Distribution Partners in China

We typically enter into standard distribution agreements with our distribution partners per annum. Salient terms of our standard distribution agreements include:

- ***Term***. The duration of the distribution agreements is typically one year.

- ***Designated distribution area***. We do not allow our distribution partners to distribute our products outside their predetermined distribution areas.

- ***Minimum purchase***. There is no minimum purchase commitment or commission arrangement in these distribution agreements.

- ***Sales target***. We set annual sales targets for our distribution partners and conduct evaluations and inspections of their performance. If a distribution partner fails to achieve its annual sales target, it is at our discretion to terminate the business relationship with, such distribution partners.

- ***Product ownership***. Product ownership transfers to our distribution partners when they confirm the realization of sales in the system as set out in the relevant contract.

- ***Price management***. We set the lowest prices at which the distribution partners are allowed to sell our products. All final sales prices are reported to our sales management system and overseen by our marketing department. Therefore, we believe the distribution partners are unlikely to be able to resell our products at significantly higher prices than our standard prices, despite the lack of contractual price caps agreed between us and the distribution partners.

- ***Payments***. We typically require the distribution partners to prepay a certain percentage of the payment for products before we arrange delivery. They need to report to the system as set out in the relevant contract within three days after selling the products and pay us the full remaining amount. We generally accept settlement by telegraphic transfer or valid electronic bank acceptance drafts issued by our designated banks with a tenor of within 180 days.

- ***Logistics***. The distribution partners may choose to either authorize the company to handle transportation on their behalf or arrange for self-pickup.

- ***Sub-distribution***. We do not impose any restrictions regarding sub-distribution with the distribution partners, except for the requirements of confidentiality.

- ***Anti-commercial bribery and confidentiality***. We prevent our distribution partners from engaging in bribery or leaking our commercial secrets to any third parties. Distribution partners shall compensate us with a certain amount of money if such incidents occur.

- ***Termination***. We list several conditions that may result in the breach of contract in the distribution agreements. We are entitled to terminate the distribution agreements if our distribution partners breach the distribution agreements through underperformance.

Our Distribution Network Overseas

We conduct our overseas distribution mainly through the development of our local sales network comprising local distribution partners. We build brand visibility in overseas markets through various methods, such as arranging on-site visits for product demonstrations, as well as participating in and promoting at industry exhibitions. We had sold our products to over 120 countries and regions across Asia, the Americas, Africa, Europe and Oceania as of the Latest Practicable Date.

The table below sets forth the total number of our distribution partners overseas and their movements (including addition and termination) for the periods indicated:

	Year ended December 31,		
	2022	2023	2024
Number of distribution partners at the beginning of the period	116	140	190
Number of new distribution partners	24	50	46
Number of terminated distribution partners	–	–	2
Net increase in distribution partners	24	50	44
Number of distribution partners at the end of the period	**140**	**190**	**234**

Independence Analysis

To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, all of our overseas distribution partners were independent third parties, save that a subsidiary of Weichai Power Group had been sourcing relevant products and components from us for resale overseas, and the revenue generated therefrom accounted for less than 0.5% of our total revenue for each period during the Track Record Period. See "Connected Transactions — Non-exempt Continuing Connected Transactions Subject to Reporting, Annual Review and Announcement Requirements — Provision of Products and Services to Weichai Power Group." We apply consistent management policies across all our distribution partners, specifically: (i) we assess their qualifications and capabilities following the same standards as applied to other distribution partners; (ii) we generally enter into distribution agreements with terms that are substantially similar to those offered to other overseas distribution partners; and (iii) the pricing of our transactions with such distribution partners is determined through arm's-length negotiations with Weichai Power Group, with reference to the prices offered to other independent third parties in the ordinary and usual course of business.

Major Terms of Distribution Agreements with Our Distribution Partners Overseas

We typically enter into standard distribution agreements with our distribution partners overseas per annum. Salient terms of our standard distribution agreements include:

- ***Term***. The duration of the distribution agreements is typically one year.

- ***Designated distribution area***. We do not allow our distribution partners to distribute our products outside their predetermined distribution areas.

- ***Product ownership***. We typically adopt FOB terms, under which ownership transfer occur at the point of shipment.

- ***Sales target***. We typically agree on annual order plans with our distribution partners, including minimum purchase amounts and quarterly sales targets. If a distribution partner consistently fails to meet the agreed sales target, we are entitled to select another distribution partner within the distribution area and unilaterally terminate the distribution agreement.

- ***Price management***. Our distribution partners must adhere to the agreed-upon indicative price according to our sales policy. The distribution partners shall refrain from engaging in vicious competition that would disrupt market pricing or stability. Non-compliance with our price policies may result in us ceasing product supply or terminating the distribution agreement.

- ***Payments***. Payment method is determined according to the specific sales contract. We typically require the distribution partners to pay before we arrange production.

- ***Termination***. We list several conditions that may result in breach of contract in the distribution agreements. We are entitled to terminate the distribution agreements if our distribution partners breach the distribution agreement through underperformance.

Direct Sales

Our direct sales customers mainly include large-scale agricultural enterprises. During Track Record Period and up to the Latest Practicable Date, all of our direct sales customers were independent third parties, save for Weichai Power Group and Shandong Heavy Industry Group. See "Connected Transactions — Non-exempt Continuing Connected Transactions Subject to Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements — Provision of products and services to Weichai Power Group" and "Connected Transactions — Non-exempt Continuing Connected Transactions Subject to Reporting, Annual Review and Announcement Requirements — Provision of products and services to Shandong Heavy Industry Group."

We believe that the business partnership with our direct sales customers is beneficial to strengthening our market leadership and enables us to better serve large-scale customers. By offering tailored pricing and flexible contract terms, we build trust with key customers, ensuring their unique operational needs are met efficiently. Additionally, we are able to gather real-time feedback through our direct sales customers, which in turn enables us to make product improvements that align with evolving market demands.

We generally enter into sales contracts with our direct sales customers. Salient terms of the sales contract include:

- ***Term***. We typically enter into one-off sales agreement with our direct sales customers, under which the contract automatically terminates upon both parties fulfilling their respective obligations under the contract.

- ***Minimum purchase***. There is no minimum purchase commitment in our direct sales contracts.

- ***Product ownership***. The ownership of the products is generally transferred to our direct sales customers upon their confirmation of receipt.

- ***Payments and credit period***. We have adopted the form of installment payment based on specific milestones. Our direct sales customers make advanced payment when entering into contracts, with the remaining balance paid before product delivery.

- ***Logistics***. We will typically bear the responsibility for the delivery of products at our own cost. Our direct sales customers are responsible for unloading the products at their own cost and are required to conduct an acceptance inspection within a certain period to facilitate subsequent settlement and liability determination.

- ***Return or exchange of products***. Our direct sales customers shall conduct the acceptance inspection in a timely manner and raise any issues in the handover and acceptance form, unless the issue requires a certain period of time or the use of specialized inspection tools to be detected. The warranty period is 12 months after the products pass the acceptance inspection.

Pricing and Marketing

Pricing

We primarily use cost-based methods to price our products, taking into consideration factors such as our costs and historical profit margin levels, as well as market benchmarks. Additionally, we consider collectively the market positioning of our Group and the competitive advantages of our products. The pricing is subsequently submitted for approval by our value engineering personnel. The final price of our products varies depending on the sales channels. For distribution channels, our quotation includes both settlement price and delivery costs. For direct sales customers, we negotiate final prices on a case-by-case basis.

Marketing

Our marketing department coordinates marketing activities and sources our customers. As of December 31, 2024, we had approximately 899 sales and marketing staff. We have creatively established a communication matrix by combining online and offline sales activities. For offline sales, we organize hands-on experience events such as open day activities to invite customers to visit our factory and product promotion sessions at distribution partner's locations to allow end users to directly experience the products. We also actively participate in industry conferences to enhance brand awareness. For online events, we integrate resources from short video platforms and online community operations to build an all-channel communication matrix. For example, in December 2024, we launched the "double 12" livestream event with participation from our distribution partners, achieving precise exposure and setting a benchmark for live-stream marketing in the industry.

Our marketing department highly values our relationship with strategic customers, which mainly covers intensive farming customers and commercialized service stations, since our core products align closely with the needs of these strategic customers.

Seasonality

Seasonal patterns in retail demand for agricultural machinery can result in substantive variations in the volume and mix of products sold to users during the year. For example, we generally experience higher sales revenue from our harvesting machines two months before the harvesting season, typically in the second and third quarters of the year, with the minimum sales revenue experienced in the fourth quarter of each year. Seasonal demand is estimated in advance, and we usually manufacture our equipment in anticipation of such demand to achieve efficient utilization of personnel and facilities throughout the year.

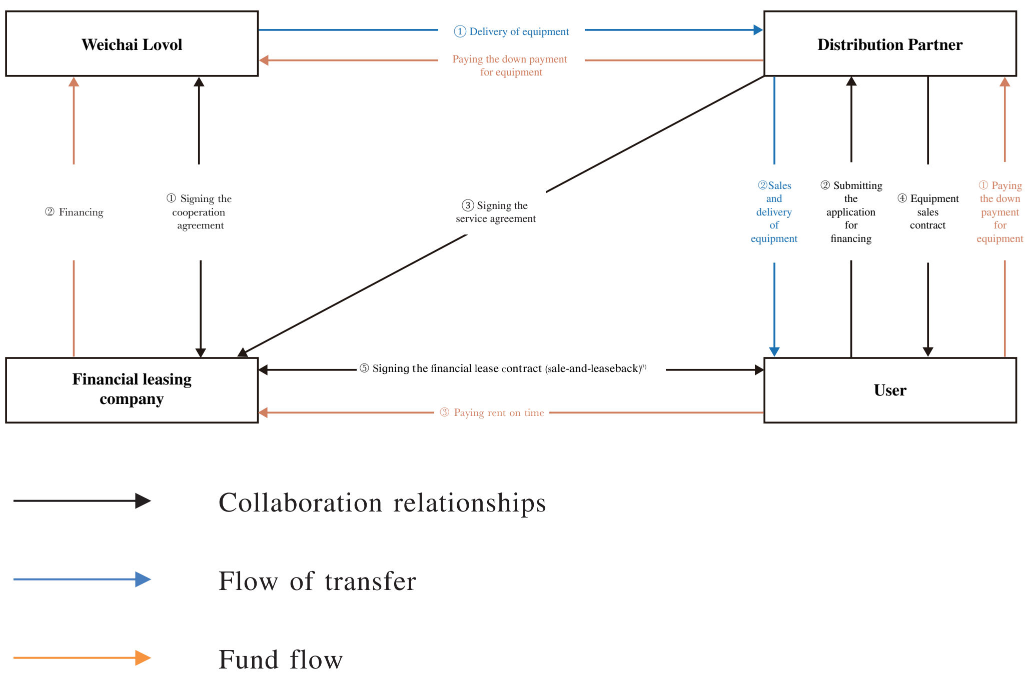
Financial Leasing Services

To enhance the accessibility of our products, we cooperate with financial leasing service providers to offer flexible financing options to users. During the Track Record Period, the financing amount provided by Huiyin Financial Leasing Co., Ltd. and Harbin Bank Financial Leasing Co., Ltd. was RMB1,934.4 million, RMB2,107.5 million and RMB3,156.4 million in 2022, 2023 and 2024, respectively. During the Track Record Period and up to the Latest Practicable Date, Huiyin Financial Leasing Co. Ltd. is a Connected Person with whom we enter into finance lease arrangements on terms that were mutually agreed following arm's length negotiations and conducted on normal commercial terms. See "Connected Transactions — Non-exempt Continuing Connected Transactions Subject to Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements — Financing and guarantee under the finance lease."

A common financial support model in the agricultural machinery financing sector takes the form of a sale-and-leaseback, under which the user, after purchasing our agricultural machinery from our distribution partners, sells and transfers the ownership of the agricultural machinery to a financial leasing service provider, who then leases it back to the user under agreed terms. The financial leasing service contract typically includes a contractual term ranging from six to 24 months. Once the user has fully performed its obligations under the financial leasing service contract, namely making all rental payments on time and in full, the user may regain ownership of the agricultural machinery by paying a nominal purchase price. During the financial leasing process, the non-financed portion of the agricultural machinery purchase price is collected and deposited into our account by our distribution partner, while the financed portion is deposited into our designated account by the financing leasing service provider.

Such financial leasing arrangements are common in the agricultural machinery industry, according to Frost & Sullivan. The industry-standard financing model enables users, such as farmers, to retain operating control over the machinery while deferring significant upfront capital expenditure. It also aligns payment schedules with the seasonal nature of agricultural income, enhances financial flexibility and supports the wider adoption of modern intelligent agricultural machinery. By offering such financing solutions through financial leasing service providers, we are able to broaden our end-user reach and expand our addressable market.

The following diagram illustrates the typical financial leasing (sale-and-leaseback) arrangement:



Note:

(1) The end-user sells and transfers the ownership of the agricultural machinery to a financing leasing provider and the financing leasing provider then leases the agricultural machinery back to the end-users.

- ***Step 1 — Execution of agreements***. We enter into a financial leasing service cooperation agreement with a financial leasing service provider. Our distribution partner also enter into a service agreement with the financial leasing service provider. In parallel, our distribution partner enters into a sales agreement with the user in respect of the agricultural machinery. Either we or the distribution partner may refer the user to the financial leasing service provider, who will conduct due diligence and, upon satisfaction, enter into a financial leasing agreement (in the form of a sale-and-leaseback) with the user.

- ***Step 2 — Initial payment***. The user makes an initial payment to the distribution partner under the sales agreement. The distribution partner then remits the corresponding amount to us.

- ***Step 3 — Delivery of the agricultural machinery***. Our distribution partner delivers the agricultural machinery to the user pursuant to the terms of the sales agreement.

- ***Step 4 — Sales-and-leaseback***. Following the receipt of the agricultural machinery, the user transfers the ownership of the agricultural machinery to the financial leasing service provider. After reviewing the user's qualifications, the financial leasing service provider deposited the financed portion into our designated bank account. The financial leasing service provider then leases back the agricultural machinery to the user under agreed terms. The user makes periodic rental payments to the financial leasing service provider. Once the user has settled all debts, the ownership of the agricultural machinery will be transferred to the user upon payment of the nominal purchase price.

  Salient terms for our financial leasing service arrangements are set forth below:

  - ***Ownership***. Ownership of the agricultural machinery transfers to users only upon full settlement of the repurchase price by the lessee to the financial leasing service provider. In the event of a lessee default, if the distribution partner fails to fulfill its repurchase obligations and we are subsequently required to exercise our repurchase obligation, ownership of the agricultural machinery reverts to us upon completion of our repurchase.

  - ***Term***. The duration of the financial leasing service contract ranges from six months to 24 months.

  - ***Predetermined price to repurchase agricultural machinery by end-user***. After the full performance of the financial leasing service contract, the user will pay a nominal repurchase price. Once the user has paid the corresponding amount, the financial leasing service provider will transfer the ownership of the agricultural machinery to the user.

  - ***Supplementary Repurchase obligation of our Group***. In addition, we have a repurchase obligation which may be triggered upon the occurrence of certain events, such as payment defaults or material breaches of the financial leasing agreement by the lessee. Our repurchase obligation is supplementary in nature and is only activated upon the distribution partner's failure to fulfill its repurchase obligations.

  - ***Repurchase price when repurchase obligation of our Group is triggered***. When the repurchase obligation is triggered upon the occurrence of certain events listed in the contract, the repurchase price for our Group primarily comprises: (i) any overdue rental payments, penalties or default interest; (ii) any unpaid future rental obligations; and (iii) any reasonable costs incurred by the financial leasing service provider in connection with the enforcement of its rights, net of any deposit paid by the lessee.

- ***Insurance***. The financial leasing service provider we collaborate with does not impose mandatory requirements on us regarding insurance policies when offering financing services to users.

Our management is of the view that the financial leasing arrangements we enter into are compliant with market practices and are supported by our well-established internal risk control system.

User Engagement and After-sales Services

We value user experience and are committed to delivering attentive user service. We believe that our reputation is built upon our ability to provide quality and effective after-sales and technical support to our users to their satisfaction. This approach has enabled us to cultivate strong business relationships with our users, secure recurring sales opportunities and differentiate ourselves from our competitors. Additionally, we systematically capture insights into product performance gaps and market demand through the process of our user relationship management, such as user satisfaction surveys during equipment maintenance, or regional operator training or roundtable events. By utilizing various customer feedback mechanisms, we are able to keep records of feedback and complaints and results of any investigations, which will also be reflected in our R&D process to ensure that our iteration of current products and development of future products fully respond to market demands.

After-sales Services

We strive to maintain timely communication with our customers through after-sales services to ensure timely problem identification and risk control. We generally provide a one-year product warranty, with a two- to three-year warranty period for certain key components to our customers to address any quality defects of our products. After the expiry of the warranty period, such support remains available to customers at their expense. Certain warranties provided by us are eligible for reimbursement from our suppliers based on our contracts with them. See "Financial Information — Critical Accounting Policies and Estimates — Significant Accounting Judgments and Estimates — Estimation Uncertainty — Warranty."

Users or direct sales customers may reach out to our staff either through off-line service stations or on-line contacts, including our hotline or mobile application for after-sales or other technical support. Substantially all of our users operate in rural areas and primarily during peak harvesting seasons. Additionally, the majority of our users are full-time operators who frequently work across multiple regions and require cross-regional technical support. To address the need for swift response and effective service delivery covering all regions where we operate and sell our products, we maintain an extensive after-sales network, primarily through integrated sales and service stations. We also provide resources support and collaborate with commercialized service stations to offer services. As of December 31, 2024, we had 808 integrated sales and service stations, as well as 142 commercialized service stations, ensuring our extensive coverage of after-sales services nationwide.

Training

We deliver technical training to our users or direct sales customers through our Smart Agriculture Lovol application (雷沃智農App) platform, covering agricultural machinery maintenance, components adjustments and operational best practices. These training programs empower our users to operate our agricultural machinery more effectively and to better utilize the intelligent modules and precision farming technologies we have incorporated into our products, thereby increasing operation efficiency and field productivity. As operators gain proficiency through this training, it is expected that they will develop stronger technical reliance on our intelligent agricultural machinery and smart agriculture solutions, reinforcing long-term engagement with our brand.

We also collaborate with local governments to organize hands-on agricultural machinery workshops for farmers in China, expanding our social influence and allowing potential users to experience our products firsthand, thereby fostering brand loyalty and generating new sales opportunities.

User Satisfaction Evaluation

To systematically enhance product quality and precisely capture user preferences, we have conducted comprehensive user research. We collect user feedback on critical factors including brand perception, product quality, operational experience and customer loyalty, as well as implementing quantitative analysis of satisfaction levels using statistically rigorous methodologies. Our analysis reveals our continuous excellence in product satisfaction metrics during the Track Record Period. In 2022, 2023 and 2024, our agricultural machinery achieved composite satisfaction scores of 91.8. 91.3 and 91.5, respectively. This implied our high user satisfaction level within the industry.

PROCUREMENT, INVENTORY MANAGEMENT AND LOGISTICS

Our successful business operation is reinforced by our comprehensive procurement, inventory management and logistics system.

Procurement

We rely on a diverse range of raw materials, parts and components to manufacture our products. Our procurement primarily covers raw materials, including sheets and pipes, components or assemblies directly used in production such as engines, drive axles and transmissions, rough castings and unfinished parts, as well as indirect materials to facilitate our production, such as cloths, filter bags and packaging materials. Most of our raw materials, components and indirect materials are sourced from China, with a small portion of components and indirect materials originating overseas, including from Japan, Italy and the US. We maintain reasonable procurement cycles. Throughout the Track Record Period, we did not have any major shortages, delays or difficulties in procuring essential raw materials or components from suppliers.

Our procurement department also monitors the quality of raw materials. To ensure the quality of purchased materials and control of procurement costs, we conduct preliminary evaluations of suppliers based on price and quality terms. A review team composed of various departments will then quantitatively evaluate and select qualified suppliers, followed by an on-site inspection by our quality department and our research institutes to ensure compliance with national standards or industry standards. We continuously monitor supplier performance and conduct periodic evaluations based on certain criteria such as quality, delivery and cost efficiency. It is at our discretion to redetermine the supply arrangement according to the supply contract if a supplier's performance is unsatisfactory.

We also mitigate risks associated with price and supply fluctuation in raw materials by employing the following mechanisms:

- ***Price adjustment mechanisms***. We include clauses in supply contracts to link prices of parts and components with raw material prices at the time of purchase, locking in prices in advance.

- ***Advance procurement***. We forecast material price movements for the next six months or longer based on historical trends. We purchase and remind our suppliers to purchase raw materials in advance at appropriate prices and times of year. We make prepayments to our suppliers to lock in prices for raw materials or components at a satisfactory level.

- ***Forming a supplier portfolio***. We maintain no fewer than three suppliers for most product categories and never enter into exclusive supply arrangements, avoiding reliance on a single supplier.

We generally enter into an annual supply contract with our suppliers. Salient terms of the annual supply contract with our suppliers include:

- ***Delivery***. We primarily accept delivery at our suppliers' own cost and risk.

- ***Credit Terms***. The credit terms will be determined by the credit terms confirmation sheet we sign with our suppliers on a case-by-case basis.

- ***Payment***. We typically settle payments through bank acceptance drafts and transfers.

- ***Product quality and warranty***. The product quality should adhere to the factory standards of the manufacturers, but must not be lower than national or other applicable standards. The warranty should not be less than what we promise the users. Higher national, industry or manufacturer standards for the warranty shall apply if they exist.

- ***Exclusivity***. We never enter into exclusive arrangements with our suppliers.

During the Track Record Period and up to the Latest Practicable Date, we did not have any difficulty in obtaining adequate production raw materials and components, and we do not anticipate significant difficulties in obtaining alternative sources of supply if necessary. During the Track Record Period and up to the Latest Practicable Date, we did not experience any major price fluctuations, overstock, delays or shortages in the supply of production raw materials and components.

Inventory Management

Our inventories primarily comprise raw materials, work-in-progress and finished goods stored in our warehouse at our production plants or leased warehouses. We have implemented stringent inventory management measures to maintain an optimal level of stock for our inventory. Our inventories and other contract costs turnover days were 81.2, 86.5 and 79.9 in 2022, 2023 and 2024, respectively.

To improve our inventory efficiency, we have adopted a unified distribution system and continuously enhanced inventory turnover. We implement policies and guidelines setting out requirements on inventory control, including periodic asset audits, real-time monitoring and on-site or supplier-assisted inventory inspections. These policies and guidelines are formulated according to relevant industry standards such as the ISO 9001 quality management system certification. Our comprehensive inventory management measures enable us to maintain high standards in inventory performance and rapid responsiveness to market demands.

Logistics

Raw materials are delivered to our production plants at our suppliers' own cost and risk. For the delivery of our products, we are typically responsible for arranging transportation from our production plants to our consignees and direct sales customers in the PRC. During the Track Record Period, we outsourced logistic activities to third-party service providers to deliver our products. The services provided by the third-party logistic companies cover long-haul delivery, short-distance transfers and loading operations. Pursuant to the agreements entered between us and the logistic companies, the logistic companies are responsible for any direct losses caused by them during the shipment of our products. Our products sold to overseas distribution partners are generally shipped on agreed terms, typically on a FOB basis.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material disruptions or damage in relation to product delivery.

We generally enter into annual logistics agreements with our third-party service providers. Salient terms of the annual logistics agreements with third-party service providers include:

- **Delivery and area**. We typically require delivery via road transports, and will adjust the awarded delivery area according to the requirements of the actual delivery plan.

- **Pricing**. We have standards for freight settlement and mileage, and will adjust according to market changes.

- **Payment and credit term**. We typically settle payments through bank transfer and repaying the debt in kind, and usually obtain a credit term of 90 days.

- **Risk allocation**. The risk of the products is generally transferred to the third-party service providers upon their obtaining the products. We typically collect a business risk deposit from third-party service providers before signing the annual logistics agreements.

- **Guarantee**. We typically require guarantors to provide a guarantee for the third-party service providers for a period of five years.

QUALITY CONTROL

We have established a complete set of quality management systems, including the management of suppliers, incoming procured products, the production process, the finished products and the management of after-sale services. We have a quality control department with a team of approximately 130 employees responsible for quality assurance. In strict compliance with the provisions of quality management system documents, each of our production plants has passed ISO 9001 quality management system certification. We have also implemented various internal control protocols to ensure quality assurance. Our rigorous quality management system has achieved industry-leading product quality standards throughout the Track Record Period. In 2022, 2023 and 2024, our first-pass yield rates were 93.8%, 95.1% and 96.3%, respectively, while our product qualification rates were consistently maintained at 100%.

Set forth below are our major quality control procedures:

- ***Raw materials quality***. To ensure the quality of our raw materials and components, we have implemented a strict supplier admission system, including a holistic approach to selecting and assessing our suppliers. We also evaluate suppliers annually and make adjustments if we find the product quality, production capacity or supply chain management capabilities of our suppliers unsatisfactory. We periodically inspect incoming materials, accepting only those that meet national or industry standards.

- ***Production process***. We conduct regular comprehensive equipment inspections and set up control points for product quality for all key stages throughout the production process.

- ***Product quality***. Our quality control department carries out routine inspection of every finished product we manufacture. Such inspections typically follow: (i) national standards such as GB/T 21962-2020 Corn Combine Harvester and GB/T 20864-2021 Rice transplanter; (ii) industry standards such as JB/T 5117-2017 Whole-feed Combine Harvester and JB/T 11895-2014 Lawn and Garden Tractors; and (iii) in-house standards such as Q/0704LWZ 001-2018 Wheeled Tractor and Q/0704LW 112-2018 Self-propelled Peanut Harvesting Machine. We typically conduct various performance tests and appearance examinations before the delivery of our products to customers.

As a result of our commitment to stringent product quality, during the Track Record Period and up to the Latest Practicable Date: (i) we had not been subject to any material administrative or other penalties from any competent authority in connection with product quality; (ii) we had not undertaken any material product recalls with respect to defective products; and (iii) we had not been involved in any material dispute with customers in connection with product quality.

OUR CUSTOMERS

We primarily sell our products to distribution partners and direct sales customers. Our direct sales customers mainly comprise agricultural enterprises. In 2022, 2023 and 2024, revenue from sales to our top five customers in aggregate accounted for 5.5%, 6.0% and 5.2% of our total revenue, respectively, and revenue from sales to our largest customer accounted for 1.1%, 1.4% and 1.3% of our total revenue for the same periods.

We generally enter into standardized distribution agreements with our distribution partners and standardized sales agreements with our direct sales customers. See "— Sales, Marketing and Customer Service — Our Sales and Distribution Network." To the best of our knowledge, our five largest customers in each year during the Track Record Period were all Independent Third Parties. To the best of our knowledge, none of our Directors, their close associates or any Shareholders of our Company, who or which to the knowledge of the Directors owned more than 5% of our Company's issued share capital, had any interest in any of our five largest customers in each year during the Track Record Period.

OUR SUPPLIERS

Our suppliers primarily comprise suppliers of raw materials, parts and components and vehicle engines. Purchases from our five largest suppliers amounted to RMB3,039.7 million, RMB3,953.3 million and RMB3,990.0 million in 2022, 2023 and 2024, respectively, representing 22.6%, 27.0% and 28.7% of our total purchases for the same periods. Purchases from our largest supplier accounted for 10.0%, 16.6% and 19.3% of our total purchases in 2022, 2023 and 2024, respectively.

The following tables set forth the details of our five largest suppliers by purchase amount in each fiscal year during the Track Record Period:

Financial Year ended 31 December 2022

Supplier	Principal business	Products/services provided	Purchase amount	% of our total purchase amount	Year of commencement of business relationship	Credit period	Primary payment method
			(RMB'000)				
Shandong Heavy Industry	Production of power systems, construction machinery, vehicles and agricultural machinery	Supplier of materials	1,340,132	10.0	2018	30 to 60 days	Acceptance bill
Supplier A	Production of diesel engines, automobile parts and plastic pipes	Supplier of materials	619,804	4.6	1999	60 days	Acceptance bill
Supplier B	Production of engineering tires, high-performance tires and specialized rubber products	Supplier of materials	411,466	3.0	2006	60 days	Acceptance bill
Supplier C	Production of diesel engines and power generation units	Supplier of materials	374,773	2.8	2003	60 days	Acceptance bill

Supplier	Principal business	Products/services provided	Purchase amount	% of our total purchase amount	Year of commencement of business relationship	Credit period	Primary payment method
			(RMB'000)				
Supplier D. . .	Production of components for agricultural machinery, construction machinery and engines	Supplier of materials	293,478	2.2	2018	30 days	Acceptance bill
Total			3,039,653	22.6			

Financial Year ended 31 December 2023

Supplier	Principal Business	Products/services provided	Purchase amount	% of our total purchase amount	Year of commencement of business relationship	Credit period	Primary payment method
			(RMB'000)				
Shandong Heavy Industry . .	Production of power systems, construction machinery, vehicles and agricultural machinery	Supplier of materials	2,424,141	16.6	2018	30 to 60 days	Acceptance bill
Supplier A . .	Production of diesel engines, automobile parts and plastic pipes	Supplier of materials	527,257	3.6	1999	60 days	Acceptance bill
Supplier B . .	Production of engineering tires, high-performance tires and specialized rubber products	Supplier of materials	411,555	2.8	2006	60 days	Acceptance bill

Supplier	Principal Business	Products/services provided	Purchase amount	% of our total purchase amount	Year of commencement of business relationship	Credit period	Primary payment method
			(RMB'000)				
Supplier D	Production of components for agricultural machinery, construction machinery and engines	Supplier of materials	366,184	2.5	2018	30 days	Acceptance bill
Supplier E	Production of drive axles and gearboxes for agricultural machinery	Supplier of materials	224,160	1.5	2018	60 days	Acceptance bill
Total			3,953,297	27.0			

Financial Year ended 31 December 2024

Supplier	Principal Business	Products/services provided	Purchase amount	% of our total purchase amount	Year of commencement of business relationship	Credit period	Primary payment method
			(RMB'000)				
Shandong Heavy Industry	Production of power systems, construction machinery, vehicles and agricultural machinery	Supplier of materials	2,683,553	19.3	2018	30 to 60 days	Acceptance bill
Supplier D	Production of components for agricultural machinery, construction machinery and engines	Supplier of materials	404,093	2.9	2018	90 days	Acceptance bill

Supplier	Principal Business	Products/services provided	Purchase amount	% of our total purchase amount	Year of commencement of business relationship	Credit period	Primary payment method
			(RMB'000)				
Supplier B . . .	Production of engineering tires, high-performance tires and specialized rubber products	Supplier of materials	378,500	2.7	2006	90 days	Acceptance bill
Supplier A . . .	Production of diesel engines, automobile parts and plastic pipes	Supplier of materials	338,841	2.5	1999	90 days	Acceptance bill
Supplier F . . .	Production of components for agricultural machinery and vehicles	Supplier of materials	184,979	1.3	2006	90 days	Acceptance bill
Total			3,989,966	28.7			

We generally enter into an annual supply contracts with our suppliers. See "— Procurement, Inventory Management and Logistics — Procurement."

To the best of our knowledge, except for Shandong Heavy Industry, each of our five largest suppliers in each year during the Track Record Period was an Independent Third Party. To the best of our knowledge, except for Shandong Heavy Industry, none of our Directors, their close associates or any Shareholders of our Company, who or which to the knowledge of the Directors owned more than 5% of our Company's issued share capital, had any interest in any of our five largest suppliers in each year during the Track Record Period.

THIRD-PARTY PAYMENT ARRANGEMENTS

Background and Reasons Relating to Third-Party Payment Arrangements

During the Track Record Period, certain of our customers (individually or collectively, the "Relevant Customers") settled payments with us through accounts that do not belong to the contractual parties under the corresponding sales and purchase agreements (the "Third-Party Payment Arrangements"). The Relevant Customers during the Track Record Period primarily consisted of customers in the form of small and medium-sized enterprises and corporate entities, the vast majority of whom were our distribution partners. To the best of our knowledge, the third-party payors primarily consisted of persons affiliated with the Relevant Customers, such as shareholders, legal representatives, controllers, relatives (of the owners, shareholders or controllers), or employees of the Relevant Customers, or, in a few cases, financial institutions which made payments to us pursuant to the financing arrangements with the Relevant Customers.

In 2022, 2023 and 2024, the number of the Relevant Customers was approximately 163, 99 and 145, respectively. The aggregate amount they settled under the Third-Party Payment Arrangements was RMB422.1 million, RMB181.5 million and RMB319.8 million, respectively, which respectively accounted for 2.6%, 1.2% and 1.8% of our total revenue in the same periods. No individual Relevant Customer has made a material contribution to our revenue during the Track Record Period.

According to Frost & Sullivan, it is a common commercial practice for businesses in the agricultural machinery sector in China to settle their payments through third-party payors with their suppliers or customers for convenience and flexibility. Based on the representations of the Relevant Customers and to the best knowledge of our Directors, the Relevant Customers utilized Third-Party Payment Arrangements primarily because: (i) it is more convenient for or in line with the internal financial management practice of some Relevant Customers to use the accounts of certain affiliated persons such as their legal representatives or actual controllers (and/or their family members), due to limitations on their transfer amounts or especially during the holiday seasons; and (ii) our overseas Relevant Customers make payments through third parties in cross-border transactions for payment convenience and faster transaction times.

During the Track Record Period, we implemented internal control measures to monitor and manage the Third-Party Payment Arrangements. During the Track Record Period, we required the Relevant Customers to provide us with written confirmation of payment delegation that the designated third-party payors are authorized by the Relevant Customers to settle payments with us (the "Written Delegation") prior to making payments under the Third-Party Payment Arrangements, which generally specified that: (i) the designated third-party payor is authorized by the Relevant Customer and thus is allowed to settle payments with us on behalf of the Relevant Customer; (ii) payment from the designated third-party payor shall be deemed as payment from the Relevant Customer; and (iii) the Relevant Customer undertakes that any disputes or legal liabilities associated with or arising from the Third-Party Payment Arrangements shall be borne by the Relevant Customer instead of our Group and shall not concern our Group, and be resolved by the Relevant Customer and the designated third-party payor directly. During the Track Record Period, all Relevant Customers provided us with Written Delegation before making payments under the Third-Party Payment Arrangements.

We also had know-your-customer procedures in place for onboarding our customers. Furthermore, in order to ensure the Third-Party Payment Arrangements are for *bona fide* transactions, we only accept payments from third-party payors of the Relevant Customers and deliver our products and services to the Relevant Customers on the condition that the information of the designated third-party payors matches that in the corresponding Written Delegation. We also communicated with our customers periodically to understand the nature of their businesses, business models and ownership. Based on the above, our Directors believe that the Third-Party Payment Arrangements during the Track Record Period, to the best of our knowledge, have been recorded completely and accurately in our accounting books and records in all material respects.

During the Track Record Period and up to the Latest Practicable Date, we did not provide any discount, commission, rebate or other benefits to any of the Relevant Customers or the designated third-party payors to facilitate or incentivize the Third-Party Payment Arrangements. During the Track Record Period, we did not initiate any Third-Party Payment Arrangements, and the Third-Party Payment Arrangements were arranged based on the Relevant Customers' requests. To the best of our knowledge, during the Track Record Period, the relevant payments were based on *bona fide* underlying transactions and valid contractual relationships. The pricing and payment terms we provided to the Relevant Customers were in line with those customers not involved in the Third-Party Payment Arrangements. To the best of our knowledge, we were not the subject of any investigations, enquiries, penalties or surcharges as a result of our involvement in the Third-Party Payment Arrangements during the Track Record Period and up to the Latest Practicable Date. In addition, we had not encountered any refund requests, actual or pending dispute or disagreement due to Third-Party Payment Arrangements or any material claims against us in relation to the Third-Party Payment Arrangements during the Track Record Period and up to the Latest Practicable Date.

Legal Consequences of Third-Party Payment Arrangements

As advised by our PRC Legal Advisor, in light of the above: (i) our Third-Party Payment Arrangements during the Track Record Period and as of the Latest Practicable Date were not in breach or contravention of mandatory requirements of applicable laws or regulations in China; (ii) as for Relevant Customers who provided duly executed Written Delegation mentioned above, the risks were low for our Group to be found obligated to return funds to Relevant Customers or their designated third-party payors under the Third-Party Payment Arrangements; and (iii) our Company has not been found to be involved in any money laundering activities, activities that could be related to money laundering or any relevant investigations, and, as such, the risk of the Third-Party Payment Arrangements being deemed as constituting the crime of money laundering under Article 191 of the Criminal Law of the PRC (《中華人民共和國刑法》) for the purpose of covering up or concealing the source and nature of proceeds or gains is low.

Based on the foregoing, our Directors confirm that, to the best of their knowledge and based on the know-your-customer procedures and internal control measures implemented, (i) during the Track Record Period, the relevant payments were based on *bona fide* underlying transactions and valid contractual relationships and (ii) there were no instances of commercial bribery, money laundering, tax evasion, or existing or potential disputes with our Group related to the Third-Party Payment Arrangements.

During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors and based on publicly available information, all Relevant Customers and the designated third-party payors who settled payments under the Third-Party Payment Arrangements were independent third parties.

Enhanced Internal Control Measures of Third-Party Payment Arrangements

To safeguard our interest against risks associated with Third-Party Payment Arrangements, we have significantly enhanced and implemented various internal control measures which include, among other things:

(i) we initiated the implementation of Third-Party Payment Arrangements enhancement measures and informed our employees regarding the enhanced internal control measures;

(ii) we amended our policy and required that a third-party payor be designated concurrently with the execution of the sales contract, or, alternatively, that a payment authorization agreement be duly executed prior to the payment, and the payment authorization agreement would make third-party payors become contractual parties with us; and

(iii) to prevent fraud or money-laundering activities and ensure the accuracy and completeness of our accounting books and records, we further strengthened our know-your-customer procedures to gain a comprehensive understanding of our customers and perform verification of payment details against our records to confirm payments are made in accordance with the agreements. If any abnormalities are detected, we will promptly liaise with such customers for verification and correction. In addition, our sales team will hold regular meetings with customers to gain insights into their business operations, thereby reducing the risk of involvement in fraudulent or money-laundering activities.

Pursuant to the aforementioned enhancement measures, we only allow payments (i) directly from the accounts of the customers or (ii) if not directly from the accounts of the customers, through the accounts of payors entrusted by our customers, such as their legal representatives, actual controllers and their subsidiaries within the same corporate group. Such parties allowed to make payments to us are required to enter into the amended payment authorization agreements together with the respective customers and become contractual parties with us. Our amended delegation letters specify, among other things, the detailed information and payment obligation of the respective contractual parties.

We regularly check the effectiveness of our internal control measures in relation to the Third-Party Payment Arrangements and promptly address any abnormalities. Based on the review of the implementation of the abovementioned measures, our Directors are of the view that such measures are effective and adequate in identifying the sources of funds from the Relevant Customers, ensuring the accuracy and completeness of our accounting books and records and preventing risks associated with Third-Party Payment Arrangements, including money laundering risks, tax evasion risks or other risks relating to violation of applicable laws and regulations. Our Directors will oversee the effectiveness of these measures in the future.

As of the Latest Practicable Date, we were in the process of ongoing implementation of the enhancement measures and had made considerable progress in enhancing substantially all Third-Party Payment Arrangements.

Our Directors consider that the enhancement of the Third-Party Payment Arrangements did not have, nor will have, any material adverse effect on the Group, taking into account the relationship with our customers, liquidity, business operation and financial performance, as: (i) substantially all of the Relevant Customers cooperated with our enhancement process; (ii) the enhancement of Third-Party Payment Arrangements did not affect the payment settlement arrangement from our Relevant Customers to us, under which we typically require our Relevant Customers to settle payments before we provide the products; and (iii) we continued to generate positive net cash from our operating activities before and after the enhancement of Third-Party Payment Arrangements.

INFORMATION TECHNOLOGY

Information technology systems are essential to competitiveness and efficient operations. We have instituted a systematic information technology system covering all material aspects of our operations, including quality control, customer services, R&D, production and business operations. Our information technology team is responsible for developing, upgrading and maintaining IT systems and customizing them to meet our business needs. Our key information technology systems utilized during different operation phases are set forth below:

- ***R&D***. We primarily implement Teamcenter and PMS systems during R&D, which enable cross-departmental collaborative management of the entire product lifecycle, including design, process, trial production and commercialization. Through data integration and real-time synchronization, these systems are capable of shortening product development cycles and enhance R&D efficiency.

- ***Manufacturing***. We primarily implement ERP and MES systems during manufacturing, which optimize order forecasting, precise scheduling of production resources and bring transparency into the entire production process. These systems effectively control overall production costs while strengthening the coordination between manufacturing, procurement and delivery.

- ***Procurement and inventory management***. We primarily implement ERP and SRM systems during procurement and inventory management, which achieve closed-loop management from procurement planning to inventory allocation. These systems improve the efficiency of raw material and parts warehousing, reduce inventory costs and enhance supply chain responsiveness.

- ***Customer services***. We primarily implement CRM and CC systems for customer services, which enables integrated management of sales orders, logistics and financial settlements. It also standardizes after-sales service processes, improving customer service efficiency and satisfaction.

- ***Accounting and financing***. We primarily implement ERP system for accounting and financing, which enables centralized processing of financial data and deep integration of business and finance. It supports real-time cost accounting, cash flow monitoring and strategic decision analysis, ensuring the standardization and transparency of financial operations.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any information technology system failure or downtime that had a material adverse effect on our business operations.

DATA PRIVACY AND PROTECTION

In providing our products and solutions, we may come into contact with our users and collect certain personal information (including transactional information) of our users. The data we have access to and collect mainly includes: (i) agricultural operation information obtained during providing smart agriculture platform services to our customers; and (ii) basic customer information such as names, phone numbers and contact addresses collected during our business operations in China. We are committed to complying with data protection and privacy laws and protecting data security.

We have devised a number of strict data protection policies and measures to ensure that our personal information protection and collection, processing, storage and usage of data are in compliance with applicable laws and with prevalent industry practice. These policies and measures include:

- ***Data sourcing***. We require compliance assessments when collecting data and save log records of the collection process.

- ***Data processing***. We strictly process data in a manner that protects the legitimate rights of data subjects. We process data for specific and reasonable purposes, and limit our data processing activities to the minimum scope for achieving the purpose.

- ***Data storage***. We store data in encrypted form and implement strict access control policies for employee accounts. We have established data backup and recovery management practices to ensure timely recovery of critical information.

- ***Data usage***. Our data classification and grading management system establish authorization and approval procedures and security assessment mechanisms for different types and levels of data.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material violation of any mandatary requirements under applicable laws and regulations in respect of the collection, storage, use and protection of personal data.

INTELLECTUAL PROPERTY

Intellectual property is fundamental to our success and competitiveness. As of the Latest Practicable Date, we held 2,443 patents in China as well as 49 patents overseas. For details, see "Appendix IV — Statutory and General Information — Further Information About Our Business — Intellectual Property Rights."

We rely on a combination of patent, copyright, trademark and trade secret protection laws in the PRC and other jurisdictions, along with confidentiality procedures and contractual provisions to safeguard our intellectual property rights. We have implemented comprehensive measures to protect our intellectual property. Moreover, we have also implemented measures to prevent infringement of the intellectual property of other parties.

Our intellectual Property Management Policy provides a structured approach to managing and protecting our intellectual property assets. These policies establish detailed procedures applicable to all our technological development projects, including the assessment of patent application feasibility and the implementation of confidentiality measures, thereby facilitating the timely protection of our intellectual property.

To prevent infringement of third-party intellectual property rights, we have implemented preventative measures and contractual safeguards. Our policy mandates that all written agreements contain clauses for intellectual property protection with specific provisions on the allocation of rights. We have also implemented a comprehensive patent risk-warning policy, adopting the following measures at various development stages: (i) during the planning phase, we conduct preliminary screening of competitor patents related to our products using dedicated patent search software, followed by tiered risk assessment for the possibility of potential infringement; (ii) during the designing phase, we implement design-around measures for identified high-risk patents. For patents with unavoidable infringement risks, we perform validity analysis and formulate strategic response plans. Meanwhile, in cases of potential infringement, the policy sets forth clear procedures for gathering evidence, assessing impact and determining appropriate responses, including initiating industrial and commercial complaints, pursuing litigation or reporting to regulatory authorities.

We did not have any material disputes or any other pending legal proceedings concerning intellectual property rights with third parties during the Track Record Period and up to the Latest Practicable Date. We believe that we have taken reasonable measures to prevent infringement of our intellectual property rights.

COMPETITION

The market in which we operate is experiencing sustained growth and remains in the early stages of development. It is expected to move progressively toward higher-end, intelligent, and new energy-powered solutions. We compete with both domestic and international players in the smart agriculture and intelligent agricultural machinery industries. Key competitive factors include product functionality and performance, product quality and reliability, pricing, brand strength, customer experience and after-sales services.

We believe that our strong brand recognition, advanced technological expertise, broad sales and distribution network and disciplined production and quality control systems provide us with a competitive edge as the industry continues to evolve.

See "Industry Overview." However, we operate in a rapidly emerging industry. Failure to compete effectively and maintain our leading position in the agricultural machinery market could adversely affect our market share, growth and profitability. See "Risk Factors — Risks Relating to Our Business and Industry."

RISK MANAGEMENT AND INTERNAL CONTROL

We have put in place a set of internal control and risk management policies and procedures to address potential operational, financial, legal and market risks identified in relation to our operations. We also periodically review these procedures to ensure their effectiveness.

To monitor the ongoing implementation of our risk management policies and corporate governance measures, we have adopted, among other things, the following risk management measures:

- established an Audit Committee to review and supervise our financial reporting process and internal control system. For the qualifications and experience of the committee members, see "Directors and Senior Management — Board Committees — Audit and Risk Committee;"

- adopted policies to ensure compliance with the Listing Rules, including, but not limited to, aspects related to risk management, connected transactions and information disclosure;

- organized training sessions for our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies [**REDACTED**] in Hong Kong;

- established a set of emergency procedures in the event of major quality-related issues;

- provided enhanced training programs on quality assurance and production safety; and

- distributed employee handbooks to enhance employees' awareness of complying with laws and regulations.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

We consider environmental, social and corporate governance ("ESG") matters as an integral part of our operations. In line with our core value of being a socially responsible company, we resolutely assume social responsibilities, raise environmental awareness and promote long-term sustainable development. We have implemented a set of policies on the environment, employee welfare and corporate governance, which we believe are in line with industry standards and regulatory requirements. We believe that the establishment and implementation of ESG principles and practices enable us to fulfill our mission and strategic objectives while delivering long-term value to our stakeholders. Our Board intends to take primary responsibility for overseeing the development and reporting of our ESG direction and strategy. In the future, our Board will focus on identifying ESG-related risks and monitoring and evaluating our ESG performance. Moreover, our Board plans to closely monitors evolving ESG-related laws and regulations, updating our ESG measures accordingly to ensure compliance with the latest regulatory requirements.

Environmental Protection

We recognize the urgent need to address environmental challenges and minimize our ecological footprint. We have established the management philosophy of "Prioritizing Environmental Protection and Clean Production," systematically developing green production regulations including the Environmental Protection Management Regulation, while actively pursuing resource efficiency, waste and pollutant emission reduction throughout our operations and supporting initiatives that contribute to sustainable development.

We closely monitor the metrics indicative of the environmental effects of our business operations and rigorously adhere to the standards and targets established by our management and competent authorities. These metrics typically include electricity consumption, water consumption, wastewater discharge and air and solid pollutant discharge, among others.

Consumption of Resources

We have adopted resource conservation policies and practices in our manufacturing. The following table presents our use of resources for the years indicated:

	Unit	Year ended December 31, 2022	2023	2024
Electricity	kWh	55,442,874.0	59,399,962.0	63,342,451.0
Intensity	kWh/thousand RMB	3.5	4.1	3.6
Water	thousand tons	494.6	457.2	425.2
Intensity	thousand tons/employee	0.1	–	–
Heated water	kJ	66,850,000,000	65,142,000,000	73,232,000,000
Intensity	kJ/employee	8,413,038.0	7,017,343.5	7,280,970.4
Natural gas	thousand m^3	8,896.2	8,461.7	7,317.8
Intensity	thousand m^3/thousand RMB	–	–	–

We are committed to reducing greenhouse gas ("GHG") emissions and are actively employing various measures to manage our GHG emissions. For example, we have incorporated green energy equipment, such as electric forklifts, in our production processes to reduce emissions from the usage of gasoline and diesel fuel.

The following table presents our GHG emissions for the periods indicated:

	Unit	Year ended December 31, 2022	2023	2024
Scope 1 GHG emissions	tCO_2e	17,367.6	16,412.4	14,198.4
Scope 2 GHG emissions	tCO_2e	39,241.4	41,529.5	44,768.7
GHG emissions (Scope 1 + Scope 2)	tCO_2e	56,609.0	57,941.9	58,967.1
GHG emission intensity	tCO_2e/ thousand RMB	–	–	–

Waste and Pollutant Management

We are subject to environmental protection laws and regulations in the PRC. See "Regulatory Overview — Laws and Regulations Related to Environmental Protection." Our production facilities in operation discharge waste and pollutants such as wastewater, solid waste and volatile substances. Our manufacturing activities involves the usage of hazardous chemicals such as diesel, paint and thinner. The procurement, use and storage of these hazardous chemicals are managed according to hazardous chemical management regulations, with risks under stringent control. In practice, we have taken multiple measures to minimize the environmental impacts of our manufacturing, and the actual discharge of waste and pollutants stemming from our production facilities is well below the permitted levels.

We have established and implemented stringent treatment procedures for waste and pollutants from our production facilities:

- ***Wastewater***. We have formulated comprehensive policies on collection, storage and treatment of wastewater. We also engaged qualified third-party service providers to process wastewater, in order to minimize the adverse environmental effects of our manufacturing processes. We prioritize advanced production processes over outdated processes and continuously update our processes and equipment to reduce wastewater discharge. We monitor wastewater discharge indicators according to the requirements of the local laws and regulations where our production facilities are located.

- ***Solid waste***. All solid waste generated in our production processes is strictly classified into general industrial solid waste, hazardous waste and recyclable materials, with different policies adopted. During collection, management and transportation, we stringently follow national standard procedures and maintain corresponding reports.

- ***Volatile substances***. We maintain an emission monitoring log and designate personnel for daily inspection and maintenance of the monitoring system. We analyze monitoring data and encourage scientific research on air pollution prevention techniques.

- ***Noise Pollution***. We maintain a noise pollution source log and designate personnel for supervision and inspection. When designing manufacturing processes and selecting production equipment, we prioritize low-noise processes and equipment, while continuously improving production processes and operating methods to reduce noise generation and transmission. For high-noise equipment, we install soundproof covers and silencers. By reasonably planning the layouts of our production facilities, gathering high-noise equipment together and installing sound-absorbing materials in the corresponding production lines, we reduce noise transmission during our manufacturing processes.

Building on our rigorously implemented environmental pollution prevention and control management system, we were awarded the national-level Green Factory certification in 2023. This achievement demonstrates that our operations across multiple dimensions, ranging from production infrastructure and energy conservation, consumption reduction and clean production upgrades, have been systematically implemented throughout our manufacturing processes, ensuring transparent compliance with sustainability commitments.

During the Track Record Period and up to the Latest Practicable Date, we did not materially violate any environmental laws and regulations applicable to our operations.

Social Responsibility

Sustainable Agricultural Development

We consistently take advancing sustainable agriculture development as one of our core missions. Our products and solutions are deeply aligned with the national smart agriculture strategic direction. By providing and continuously improving our smart agriculture solutions, we significantly reduce farmers' labor intensity while enhancing operational efficiency, facilitating the transformation and upgrading of traditional agricultural production toward digitalization and precision farming. Through optimizing cultivation management, our products and solutions are capable of improving crop yields, which in turn contributes to increased income for agricultural producers and strengthens national food security.

Community Contribution

We actively empower agricultural production, contributing to rural revitalization and economic boost. Our commitment to social responsibility extends to our assistance to farmers during farming and harvesting seasons in agricultural technical guidance and agricultural machinery usage support, reinforcing our role as a friend and partner to farmers. The key community contribution items we conducted during the Track Record Period are as follows:

- ***Agricultural technical training***. We provide on-site guidance and hands-on training for farmers across various regions in China, helping them master systematic knowledge related to agricultural machinery as well as practicable and actionable skills. This training equips operators with advanced agricultural production techniques, enabling effective adoption of feasible agricultural technologies in daily operations.

- ***Harvesting season support***. In collaboration with the Ministry of Agriculture and Rural Affairs of the PRC, we launched the National Cross-Regional Agricultural Machinery Operations Platform for the harvesting seasons. Utilizing CRM systems and vehicle IoT platforms, we integrated data from the operation of agricultural machinery nationwide, and reserve service resources and crucial components correspondingly, as well as equipping a number of experts to offer remote diagnostics and emergency support, ensuring smooth machinery operation during peak harvesting seasons.

- ***Rural community development***. Since 2011, we have implemented the "Caring for Left-Behind Children" program. To date, we have held over 70 charity events across 15 provinces in China, directly benefiting over 13,000 children, with total funds exceeding RMB5.8 million.

Corporate Governance

Employee Welfare and Occupational Safety

We strive to create a fair and equal workplace to promote diversity and inclusivity within our workforce. We have undertaken measures to ensure a diverse workforce to align with this commitment. We hire employees based on merit and are committed to providing equal opportunities without regard to gender, age, race, religion or any other social or personal characteristics. Our workplaces are governed by strict policies to prevent any form of discrimination or physical or verbal harassment.

We have established clear protocols in our Production Safety Management Policy, pursuant to which we have established a comprehensive management system for our manufacturing activities and employee welfare. We provide our employees with insurance packages as required by PRC laws and regulations. Additionally, we offer supplementary insurance options and organize production safety training programs. We also regularly organize third-party assessments of occupational disease hazards and promptly update and rectify occupational disease prevention measures to ensure employee health and safety.

Our commitment to employee welfare is further evidenced by comprehensive employee development programs. We are committed to offering an equitable, supportive and inclusive workplace environment. We provide a comprehensive remuneration system, offering competitive market salaries and value-based job compensation. We conduct regular external market salary surveys and have multiple salary adjustment channels, including annual performance-based and job promotion adjustments, to increase employee income and steadily improve their living standards. We have also built a dual career development path, offering both professional and managerial routes to facilitate employee career advancement. We provide a complete training curriculum for employees and have established an experienced internal instructor team to enhance internal knowledge exchange and work efficiency.

Anti-corruption

We are committed to maintaining high standards of integrity in all our business operations. As part of this commitment, we adhere to all relevant anti-bribery and anti-corruption laws, rules and regulations. We have established and rigorously enforce behavior guidelines to regulate the acceptance of gifts and entertainment by employees. Any violations or reports of violations are promptly investigated by our Discipline Inspection Commission. We have implemented stringent internal control measures throughout all stages of our business operations to ensure strict compliance and lawful conduct.

During the Track Record Period and up to the Latest Practicable Date, we had not engaged in, supported or conspired with any individual to commit unlawful activities. No instances of non-compliance with relevant laws and regulations related to corruption, bribery, fraud or money laundering that have a significant impact on us have been identified during this period.

EMPLOYEES

As of December 31, 2024, we had 10,058 full-time employees, the majority of whom are based in Weifang, Shandong. We also engaged 539 dispatched workers as of December 31, 2024. The following table sets forth a breakdown of our employees by function as of December 31, 2024:

Business Function	Number of Employees	Percent
		(%)
R&D	2,621	26.1
Production	5,704	56.7
Sales and marketing	899	8.9
Procurement and supply chain management	208	2.1
Logistics and warehousing	90	0.9
Administration and others	536	5.3
Total	10,058	100.0

Attracting, retaining and motivating qualified employees is crucial to our success. We utilize various recruitment channels, including on-campus recruitment, professional recruitment websites, referrals and recruiting agencies to attract talent. We are committed to creating a fair and equal working environment for our employees. We endeavor to motivate our employees by providing relatively competitive salaries, comprehensive welfare packages and merit-based incentive schemes based on their performance. We participate in various employee social security plans in accordance with applicable PRC laws and regulations, including pension insurance, medical insurance, work-related injury insurance, unemployment insurance and housing provident funds.

We offer training for all employees from entry level to management, including induction training programs for new joiners and skill training programs for personnel in technical, professional and management positions. We also provide specialized training programs tailored to the specific needs of employees in different departments.

We have maintained a good relationship with our employees. During the Track Record Period, we did not have any strikes, protests or other material labor disputes that may impair our business and image. As of the Latest Practicable Date, we and our subsidiaries have established labor unions that protect employees' rights, help fulfill our and our subsidiaries' economic objectives, encourage employee participation in management decisions.

INSURANCE

We maintain insurance coverage over our daily operations. During the Track Record Period, our principal insurance policies primarily include property all-risk insurance and machinery breakdown insurance, which we believe cover major risks in our daily operations. In line with general market practices, we do not maintain certain policies that are not available in the locations wherein we operate, or that are not generally required by laws. See "Risk Factors — Risks Relating to Our Business and Industry — Our insurance coverage may be insufficient to cover all of our potential losses."

We believe that our insurance coverage is adequate for our business and in line with industry standards and general market practice. We will continue to review and assess our risk portfolio and make necessary and appropriate adjustments to our insurance plans to align with our needs and with industry practice. During the Track Record Period, we did not make any material insurance claims in relation to our business.

PROPERTIES

Our headquarters office is located in Weifang, Shandong. We own and lease properties in the PRC. As of the Latest Practicable Date, none of the properties held or leased by us had a carrying amount of 15% or more of our consolidated total assets. According to Chapter 5 of the Hong Kong Listing Rules and section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

Owned Properties

As of the Latest Practicable Date, we owned the land use rights of 17 properties in the PRC with an aggregated gross land area of approximately 2,046,419.0 sq.m. Additionally, we owned 20 buildings in the PRC, all of which have all obtained property ownership certificates, with a total floor area of approximately 404,919.4 sq.m.. The abovementioned owned properties are primarily for use as manufacturing facilities and offices. As of the Latest Practicable Date, we had obtained the state-owned land use right certificates for all of our owned properties.

Properties with Defective Titles

During the Track Record Period, we did not obtain the real property ownership certificates for certain structures erected on our land parcels. Set forth are the details of the properties with defective titles for each of the underlying land parcels.

Underlying land parcel	Number of properties involved	Gross floor area	Remedial measures
	(units)	*(sq.m.)*	
Fangzi Production Base.	28	36,913.5	According to the certificate issued by the Weifang Municipal Planning and Natural Resources Bureau, Fangzi Branch (濰坊市自然資源和規劃局坊子分局) dated May 15, 2025, we had not been subject to any penalties in relation to the land use, construction or use of the above structures, and there are no significant violations in our land use, construction, or operational activities related to the aforementioned buildings. According to the certificate issued by the Weifang Department of Housing and Urban-rural Development, Fangzi Branch (濰坊市坊子區住房和城鄉建設局) dated May 15, 2025, we had not been subject to any penalties in relation to the construction or use of the above structures. Furthermore, no material violations were identified by the same authority during the Track Record Period.

Underlying land parcel	Number of properties involved	Gross floor area	Remedial measures
	(units)	*(sq.m.)*	
Zhucheng Production Base . .	8	1,060.0	According to the certificate issued by the Zhucheng Municipal Planning and Natural Resources Bureau (諸城市自然資源和規劃局) dated April 23, 2025, we had not been subject to any penalties in relation to the land use, construction or use of the above structures, and there are no significant violations in our land use, construction, or operational activities related to the aforementioned buildings. According to the certificate issued by the Zhucheng Department of Housing and Urban-rural Development (諸城市住房和城鄉建設局) dated April 22, 2025, we had not been subject to any penalties in relation to the construction or use of the above structures. Furthermore, there was no material violation in relation to our construction and utilization.
Pingyi Production Base.	8	10,756.1	According to the certificate issued by the Pingyi Municipal Planning and Natural Resources Bureau (平邑縣自然資源和規劃局) dated April 22, 2025, we had not been subject to any penalties in relation to the land use, construction or use of the above structures, and there are no significant violations in our land use, construction, or operational activities related to the aforementioned buildings. According to the certificate issued by the Pingyi Department of Housing and Urban-rural Development (平邑縣住房和城鄉建設局) dated April 18, 2025, we had not been subject to any penalties in relation to the land use, construction or use of the above structures. Furthermore, there was no material violation in relation to our land use, construction and utilization.

Considering that: (i) such structures are ancillary facilities of our principal operations and are of no value of independent use, and account for a relatively small portion of our total properties; and (ii) the relevant authorities have issued the above confirmations, our PRC Legal Advisor is of the view that the title defects associated with these properties will not have any material adverse impact on our overall operations.

Leased Properties

As of the Latest Practicable Date, we lease 45 properties in China, including 9 land parcels and 36 buildings. The gross land area of the leased land parcels is approximately 1,035,593.6 sq.m., and the gross floor area of the leased buildings is approximately 23,058.5 sq.m. We also lease one property with a gross floor area of approximately 200.0 sq.m. in Indonesia, which were primarily used for business operations, manufacturing and warehousing.

Leased Properties with Title Defects

As of the Latest Practicable Date, among our 45 leased properties, there are 7 leased land parcels that have not obtained land use right certificates, corresponding to a gross land area of approximately 985,372.5 sq.m., and 15 leased buildings that have not obtained property ownership certificates or other supporting documents proving the right to lease, corresponding to a gross floor area of approximately 1,967.2 sq.m. We believe that the lessors' failure to provide the relevant documentation is due to reasons beyond our control. According to our PRC Legal Advisor, without valid property ownership certificates or proper authorizations, our use of these buildings may be invalid or subject to third-party claims or disputes. Furthermore, if the lessors lack the legal right, we may be required to vacate these leased buildings and relocate our operational sites. Considering that: (i) as advised by our PRC Legal Advisors, lack of property ownership certificates or other supporting documents proving the right to use of our leased property will not impose material adverse effects to our business operations; (ii) no property ownership disputes have arisen during the lease term that would affect our use of the premises; and (iii) the properties with title defects are highly substitutable, and in the unlikely event that relocation is necessary, we believe we can readily secure alternative sites, our management is of the view that the aforementioned incident would not have any material adverse effect on our business, financial condition and results of operations.

Lease Registration

Pursuant to the applicable laws and regulations in China, property lease agreements for leased buildings must be registered with the relevant real estate authorities. As of the Latest Practicable Date, 34 of our leased properties have not been properly registered, primarily due to the reluctance of property owners despite our repeated efforts. Our PRC Legal Advisor has confirmed that the lack of registration does not affect the validity or enforceability of these leases, although we may face fines ranging from RMB1,000 to RMB10,000 per unregistered lease.

Considering the above, we believe that the unregistered leases will not, individually or in the aggregate, have a material impact on our business and results of operations, on the grounds that we were advised by our PRC Legal Advisor that, if the lease registrations can be completed in accordance with relevant laws and regulations within a reasonable time from the date of application or the period specified by the competent authorities, the risk of such authorities imposing a material penalty on us with respect to these leased properties is relatively low.

LICENSES, PERMITS AND APPROVALS

We are required to obtain a number of licenses, permits, approvals and certificates for our business. We monitor our compliance with the relevant laws and regulations to ensure that we have the requisite licenses, permits, approvals and certificates for our operations. See "Regulatory Overview." As advised by our PRC Legal Advisor, we had duly obtained the requisite licenses, permits, approvals and certificates from applicable authorities which are material to our operations, and such licenses, permits, approvals and certificates are valid and subsisting as of the Latest Practicable Date.

We renew the licenses, permits, approvals and certificates from time to time to comply with the relevant laws and regulations. As advised by our PRC Legal Advisor, there is no material legal impediment to renewing the licenses, permits, approvals and certificates required for our operations.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

From time to time, we may be involved in court, arbitral and administrative proceedings arising in the ordinary course of our business operations. See "Risk Factors — Risks Relating to Our Business and Industry — We may from time to time become party to litigation, other legal and contractual disputes, claims and administrative proceedings that may materially and adversely affect our business and reputation."

As of the Latest Practicable Date, we are involved in one ongoing litigation with our former shareholder, Arbos Technology Group Co., Ltd. (阿波斯科技集團股份有限公司) stemming from a claim under a VAT credit compensation framework agreement. See "Relationship with Our Controlling Shareholders — Independence from Our Controlling Shareholders — Financial Independence."

Save as disclosed, our management has confirmed that during the Track Record Period and up to the Latest Practicable Date, we were not involved in any other litigation or arbitration proceedings or administrative proceedings pending against us which, in our opinion, is likely to have a material and adverse effect on our business, financial condition or results of operations.

Compliance

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material incidents of non-compliance that could lead to fines, enforcement actions or other penalties that could have a material adverse effect on our business, financial condition and results of operations.

AWARDS AND RECOGNITIONS

During the Track Record Period, we received a number of awards and accolades in recognition of our brand and products. The following table sets out major awards and recognitions we received during the Track Record Period and up to the Latest Practicable Date:

Year	Awards/Certifications	Awarding authority
2024, 2023	First Prize of the Agricultural Machinery Science and Technology Award (農業機械科學技術獎一等獎)	China Association of Agricultural Machinery Manufacturers (中國農業機械工業協會), Chinese Society for Agricultural Machinery (中國農業機械學會)
2024	Shandong Province Science and Technology Prize (山東省科學技術獎)	Shandong Provincial People's Government (山東省人民政府)
2022	National Manufacturing Single-Product Champion (製造業單項冠軍產品) (2023-2025)	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
2021	National Science and Technology Progress Award Second Prize (國家科技進步二等獎)	State Council of the PRC
2021	First Prize of the Agricultural Machinery Science and Technology Award (農業機械科學技術獎一等獎)	Shandong Agricultural Machinery Society (山東省農業機械學會), Shandong Agricultural Machinery Industry Association (山東省農業機械工業協會)
2021	First Prize of the Shen Nong China Agricultural Science and Technology Award (神農中華農業科技獎一等獎)	Ministry of Agriculture and Rural Affairs of the PRC (中華人民共和國農業農村部), China Association of Agricultural Science Societies (中國農學會)
2018	First Prize of the Agricultural Machinery Science and Technology Award (農業機械科學技術獎一等獎)	China Association of Agricultural Machinery Manufacturers (中國農業機械工業協會)
2017	Red Dot Award (紅點獎)	Red Dot Committee, Germany
2016	Gold Award of the Shandong Provincial Governor's Cup Industrial Design Competition (山東省省長杯工業設計大賽金獎)	Committee of the Shandong Provincial Governor's Cup (山東省省長杯工業設計大賽組委會)

OVERVIEW

Our Board consists of nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. Our Directors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office.

DIRECTORS

The following table sets forth certain information regarding our Directors:

Name	Age	Position(s)	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities	Relationship with other Directors and senior management
Executive Directors						
Mr. Wang Guimin (王桂民) . . .	56	Executive Director and chairman of the Board	September 2008	November 2009	Responsible for overall development strategies and major operational decisions of the Group	None
Mr. Wang Jian (王健)	45	Executive Director and general manager	December 2024	December 2024	Responsible for major business plans and overall management of the Group	None
Mr. Wang Junwei (王俊偉) . . .	48	Executive Director, chief financial officer and secretary of the Board	September 2021	September 2021	Responsible for overseeing the financial operations and corporate governance of the Group	None
Mr. Liu Pengfei (劉鵬飛) . . .	38	Executive Director	February 2024	December 2024	Responsible for publication and corporate culture management	None

Name	Age	Position(s)	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities	Relationship with other Directors and senior management
Non-executive Directors						
Mr. Wang Decheng (王德成) . . .	46	Non-executive Director	December 2024	December 2024	Responsible for providing advice to the Board	None
Mr. Sun Chenglong (孫成龍) . . .	55	Non-executive Director	December 2024	December 2024	Responsible for providing advice to the Board	None
Independent non-executive Directors						
Ms. Yang Minli (楊敏麗) . . .	59	Independent non-executive Director	August 2022	August 2022	Responsible for providing independent advice on the operation and management of our Company	None
Mr. Huang Botao (黃波濤) . . .	46	Independent non-executive Director	August 2022	August 2022	Responsible for providing independent advice on the operation and management of our Company	None
Mr. Zhang Yuanfu (張元福) . . .	61	Independent non-executive Director	June 2025	June 2025	Responsible for providing independent advice on the operation and management of our Company	None

Executive Directors

Mr. Wang Guimin (王桂民), aged 56, is an executive Director and chairman of the Board of our Group.

Mr. Wang joined our Group in September 2008 and successively held several key positions in our Group, including executive president and general manager. He has been the party committee secretary and chairman of the Board of our Company since December 2024.

Prior to joining our Group, from July 1991 to August 2008, he successively held various positions at Beiqi Foton Motor Co., Ltd. (北汽福田汽车股份有限公司), including deputy director of the office of the vehicle technology center in Zhucheng vehicle plant, executive deputy director of Zhucheng vehicle research institute, director of the R&D management department of the technical research institute, chief engineer of Zhucheng vehicle plant, director of the southern engineering vehicle division, deputy chief engineer of the company, director of the Aoling plant, executive deputy general manager of the marketing company, and assistant to the general manager. He served as a Director at Weichai Holdings from October 2022 to November 2024.

Mr. Wang obtained a bachelor's degree in automotive and tractor engineering from Shandong University of Technology (山東理工大學), in Shandong Province, the PRC, in July 1991, and a master's degree in power engineering from Dalian University of Technology (大連理工大學), in Liaoning Province, the PRC, in November 2003. He obtained a doctorate degree in management science and engineering from Jiangsu University (江蘇大學), in Jiangsu Province, the PRC, in June 2017.

Mr. Wang Jian (王健), aged 45, is an executive Director and general manager of our Group.

Mr. Wang joined our Group in December 2024 and has been an executive Director and general manager since then.

Prior to joining our Group, from July 2003 to December 2019, Mr. Wang successively served as an assistant to the general manager of the No. 2 Factory, deputy director of the quality department, general manager and quality director of the No. 2 Factory at Weichai Power. From December 2019 to January 2022, he served as manufacturing director, director of the manufacturing department, deputy chief technician, and director of the artisan craft institute of Weichai Power. From January 2022 to October 2022, he served as assistant to the president, chief technician, party general branch secretary of the technological and engineering research institute, Weichai scientist and vice president of the science and technology research academy of Weichai Power. From October 2022 to September 2024, he served as party committee member, chief quality engineer, deputy general manager, deputy party committee secretary, executive president and safety director and director of the safety and environmental protection department of Weichai Power, and deputy party committee secretary, chief quality engineer and deputy chief engineer of Weichai Holdings. He served as deputy party committee secretary, executive president and safety director, director of the safety and environmental protection department, chief quality engineer, and deputy chief engineer of Weichai Power from September 2024 to December 2024.

Mr. Wang obtained a bachelor's degree in mechanical engineering and automation from Wuhan University of Technology (武漢理工大學) in Hubei Province in June 2003, the PRC and a master's degree in mechanical engineering from Tianjin University (天津大學) in Tianjin, the PRC in September 2010. He was certified as a professorate senior engineer by Shandong Provincial Department of Human Resources and Social Security in January 2025.

Mr. Wang Junwei (王俊偉), aged 48, is an executive Director, chief financial officer and secretary of the Board of our Group.

Mr. Wang joined our Group in September 2021, and has been a Director of our Company since then. He has served as our chief financial officer since June 2022 and has concurrently held the role of board secretary since August 2022.

Prior to joining our Group, Mr. Wang served as a business manager for comprehensive management and deputy director of the finance department at Weichai Power from July 2004 to May 2010. From May 2010 to January 2014, he served as the chief financial officer and director of the finance department at Weichai Heavy Machinery Co., Ltd. (濰柴重機股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code: 000880.SZ). He then served as director of the finance department at Weichai Holdings from January 2014 to January 2015 and later as director of the finance department at Weichai Power from January 2015 to April 2016. From April 2016 to March 2018, he served as the director of the financial management department at Shandong Heavy Industry. From March 2018 to May 2021, he served as deputy general manager and chief financial officer at Shantui Construction Machinery Co., Ltd. (山推工程機械股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code: 000680.SZ). He then served as a director at Weichai Holdings from May 2021 to January 2022.

Mr. Wang obtained a bachelor's degree in accounting from Changchun Institute of Optics and Fine Mechanics (長春光學精密機械學院) (currently known as Changchun University of Science and Technology (長春理工大學)), in Jilin Province, the PRC, in July 1999. He obtained a master's degree in applied accounting and finance from Hong Kong Baptist University (香港浸會大學) in November 2010.

Mr. Liu Pengfei (劉鵬飛), aged 38, is an executive Director of our Group.

Mr. Liu joined our Group in February 2024 and has been an executive Director since December 2024.

Prior to joining our Group, Mr. Liu has successively held several positions, such as for the performance evaluation and implementation operations, manager and deputy manager of operation and management department and later corporate operation and management department, at Weichai Power from July 2008 to May 2020. He served as the general manager and quality supervisor at Weichai Power (Weifang) Remanufacturing Co., Ltd. (濰柴動力(濰坊)再製造有限公司) from May 2020 to February 2021. From February 2021 to November 2021, he served as deputy general manager at Shengrui Transmission Corporation Limited (盛瑞傳動股份有限公司). From August 2021 to December 2023, he successively served as deputy director at operation management department, director and party branch secretary at China National Heavy Duty Truck Group Co., Ltd (中國重型汽車集團有限公司). From February 2022 to December 2023, he served as a director at Zhongtong Bus Holding Co., Ltd. (中通客車股份有限公司). From December 2023 to February 2024, he successively served as the director and party branch secretary of enterprise operations management department at Weichai Power. He served as a director at Qingzhi Automotive Technology (Suzhou) Co., Ltd. (清智汽車科技(蘇州)有限公司) from October 2022 to December 2023.

Mr. Liu obtained a bachelor's degree in business administration from Wuhan University of Science and Technology (武漢理工大學) in Hubei Province, the PRC, in June 2008.

Non-executive Directors

Mr. Wang Decheng (王德成), aged 46, is a non-executive Director of our Group.

Mr. Wang joined our Group in December 2024 and has been a non-executive Director since then.

Prior to joining our Group, from July 2004 to February 2020, he served as an assistant to the head of the applied engineering department, deputy head of the applied engineering department, director of the applied engineering center and party general branch secretary of Weichai Power. From February 2020 to October 2022, he served as applied engineering director, engine platform director, director of engine research institute, assistant to president and vice president of Weichai Power. From October 2022 to February 2023, he served as deputy party committee secretary and executive president of Weichai Power and party committee member of Weichai Holdings. He has been the general manager in-charge of HD series products of Weichai Holdings since September 2022. From February 2023 to November 2024, he served as party committee secretary and safety director of Weichai Power, and deputy party committee secretary and vice chairman of Weichai Holdings. He has served as a deputy chief engineer at Weichai Power since April 2022 and the vice president of Weichai Holdings since July 2023. He has been an executive Director and general manager of Weichai Power since June 2023 and October 2023.

Mr. Wang obtained a bachelor's degree in automotive application engineering from Harbin Engineering University in Heilongjiang Province, the PRC, in June 2004 and a master's degree in engineering from Tianjin University in January 2013. He obtained a doctorate degree in energy and power from Tianjin University in Tianjin, the PRC, in June 2024. He is a professorate senior engineer certified by Human Resources and Social Security Department of Shandong Province.

Mr. Sun Chenglong (孫成龍), aged 55, is a non-executive Director of our Group.

Mr. Sun joined our Group in December 2024 and has been a non-executive Director since then.

Prior to joining our Group, he served as an accountant, section chief and manager at Sinotruk Sales Company (中國重汽銷售公司) from July 1994 to April 2007. He then served as a deputy managing director of the financial department of Sinotruk (Hong Kong) Limited (中國重汽(香港)有限公司) from April 2007 to January 2009. From January 2009 to June 2013, he served as the financial controller of Sinotruck Qingdao Heavy Industry Co., Ltd. (中國重汽集團青島重工有限公司), formerly known as Sinotruk Group Special Truck Company (重汽集團專用汽車公司). He served as the financial controller of Sinotruk Jinan Special Vehicle Co., Ltd. (中國重汽集團濟南特種車有限公司) from June 2013 to April 2015, and held several positions including deputy general manager and financial controller of Sinotruk Ji'nan Commercial Truck Co., Ltd. (中國重汽集團濟南商用車有限公司) from April 2015 to June 2017. He held several positions including general manager of the finance department of China National Heavy Duty Truck Group Company Limited (中國重型汽車集團有限公司) ("**CNHTC**") and the general manager of Sinotruk Ji'nan Investment Co., Ltd. (中國重汽集團濟南投資有限公司) from June 2017 to December 2018.

From December 2018 to January 2020, he held several positions including an executive director and financial controller of Sinotruk (Hong Kong) Limited, a company listed on the Hong Kong Stock Exchange (stock code: 3808.HK). From January 2019 to January 2024, he served as the chairman of Sinotruck Auto Finance Co., Ltd. (重汽汽車金融有限公司). Deputy general manager of CNHTC, chairman of Shandong Xinhai Financial Guarantee Co., Ltd. (山東鑫海融資擔保有限公司), chairman of Jinan Qihui Small Loan Co., Ltd. (濟南市齊匯小額貸款有限公司) chairman of Sinotruk Finance Co., Ltd. (中國重汽財務有限公司), chairman of Sinotruck Insurance and Brokers Co., Ltd. (重汽集團保險經紀有限公司), chairman of Zhongtong Automobile Industry Group Co., Ltd. (中通汽車工業集團有限公司), CEO of financial business division of Indonesian Office and deputy director of finance and operations department of Shandong Heavy Industry Group Co., Ltd. (山東重工集團有限公司). He has served as party committee member and chief financial officer of Weichai Holdings and party committee member of Weichai Power since September 2024.

Mr. Sun graduated from the Shandong University of Finance (山東財政學院) in Jinan, the PRC, in July 1997, majoring in accountancy. He was certified as a chief senior accountant by the Senior Evaluation Committee of Accounting Professional Qualifications of Shandong Province in December 2023.

Independent non-executive Directors

Ms. Yang Minli (楊敏麗), aged 59, is an independent non-executive Director of our Company.

Ms. Yang has held various positions at China Agricultural University (中國農業大學). Specifically, since July 1987, she has served as director of the scientific and technical information office and associate research librarian at the library of China Agricultural University, professor at the college of engineering, and leading professor at China Agricultural University. Since April 2004, she has served as deputy director and director of the rural development institute, while also holding leadership roles at the National Agricultural Mechanization Information Center as executive deputy director and director.

She has also been a standing council member of the Chinese Society of Agricultural Machinery since 2006, chairman of the Agricultural Mechanization Branch under the Chinese Society of Agricultural Machinery since 2007, an adjunct professor at Northwest A&F University (西北農林科技大學) since December 2008, deputy secretary-general of the Panel of Promotion of Complete Mechanization of Major Crop Production under the Ministry of Agriculture and Rural Affairs since May 2016, a council member of the Chinese Society of Agricultural Engineering since August 2017, a visiting professor at Northeast Agricultural University's College of Engineering since August 2018, a visiting professor at Tarim University since May 2021, dean of the "Belt and Road" International Agricultural Equipment Industry and Intelligent Agricultural Technology Innovation Institute since 2021, deputy secretary-general of the third council of the Chinese Society of Agricultural Machinery since 2023.

She obtained a doctorate degree from China Agricultural University in agricultural mechanization engineering in Beijing, the PRC, in June 2003.

Mr. Huang Botao (黃波濤), aged 46, is an independent non-executive Director of our Company.

Mr. Huang served as an associate professor at the faculty of finance of Beijing National Accounting Institute (北京國家會計學院) since July 2018, and director of Beijing National Accounting Institute's Financial Research Institute since June 2022.

He obtained a doctorate degree in economics from Research Institute of Fiscal Science of the Ministry of Finance (財政部財政科學研究所) in June 2012. He is a Chinese certified public accountant granted by the Ministry of Finance of the PRC in May 2012 and Australian certified public accountant granted by CPA Australia in October 2022.

Mr. Zhang Yuanfu (張元福), aged 61, is an independent non-executive Director of our Company.

Mr. Zhang served as the chief financial officer, executive director and company secretary at Everpride Biopharmaceutical Company Limited (中遠威生物製藥有限公司) (currently known as Hao Wen Holdings Limited (皓文控股有限公司), a company listed on the Stock Exchange (stock code: 8019.HK)) from August 2000 to August 2003, from October 2001 to November 2003 and from July 2001 to October 2003, respectively. Mr. Zhang served as the chief financial officer and company secretary of Weichai Power from September 2003 to October 2008. He served as an executive director at Nine Dragons Paper (Holdings) Limited (玖龍紙業(控股)有限公司), a company listed on the Stock Exchange (stock code: 2689.HK) from October 2008 to April 2025 and has also been its chief financial officer since October 2008.

Mr. Zhang obtained a bachelor's degree in economics from Shandong University in July 1986. He was certified as a fellow member of the Association of Chartered Certified Accountants in the United Kingdom in September 1993 and an associate member of the Hong Kong Institute of Certified Public Accountants in February 1998.

SENIOR MANAGEMENT

The following table provides information about members of our senior management:

Name	Age	Position(s)	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities	Relationship with other Directors and senior management
Mr. Wang Jian (王健)	45	Executive Director and general manager	December 2024	December 2024	Responsible for major business plans and overall management of the Group	None
Mr. Wang Junwei (王俊偉) . . .	48	Executive Director, chief financial officer and secretary of the Board	September 2021	June 2022	Responsible for overseeing the financial operations and corporate governance of the Group	None
Mr. Han Changde (韓常德) . . .	45	Deputy general manager	April 2021	April 2021	Responsible for overseeing production and safety operations of our Group	None
Mr. He Song (何松)	43	Deputy general manager	July 2005	June 2021	Responsible for overseeing harvesting machinery R&D of our Group	None
Mr. Li Zhengyu (李正宇) . . .	46	Deputy general manager	September 2004	June 2021	Responsible for overseeing tractor R&D of our Group	None

Mr. Wang Jian (王健) is an executive Director and general manager of our Company. See "— Directors — Executive Directors" in this section for his biographical details.

Mr. Wang Junwei (王俊偉) is an executive Director, chief financial officer and secretary of the Board of our Company. See "— Directors — Executive Directors" in this section for his biographical details.

Mr. Han Changde (韓常德), aged 45, is a deputy general manager of our Company.

Mr. Han joined our Group in April 2021 and is currently a deputy general manager and head of the manufacturing department at our Company.

Prior to joining our Group, Mr. Han held various positions of multiple departments at Weichai Power from November 2008 to April 2016, including deputy director of the production management office of the 615 plant, deputy section chief and section chief of the production management department of the 615 plant. From April 2016 to June 2019, he served as deputy general manager at Weichai (Yangzhou) Special Vehicle Co., Ltd. (濰柴(揚州)特種車有限公司), formerly known as Yangzhou Shengda Special Vehicle Co., Ltd. (揚州盛達特種車有限公司). From June 2019 to April 2021, he was a deputy plant manager and quality director at Weichai Heavy Machinery Medium-Speed Engine Plant (濰柴重機中速機廠).

Mr. Han obtained a bachelor's degree in agricultural mechanization and automation from Shandong Agricultural University (山東農業大學), in Shandong Province, the PRC, in July 2004.

Mr. He Song (何松), aged 43, is a deputy general manager of our Company.

Mr. He joined the Group in July 2005 until January 2021 and has held various positions, including deputy director and director of the vehicle styling section of the vehicle technology department under the agricultural equipment division technical center, deputy head of the vehicle technology department, director of the vehicle styling institute and later dean of the agricultural equipment division technical research institute, executive deputy dean of the technical research institute, deputy secretary of the Party branch of the technical research institute, dean of the harvesting machinery research institute, business director of wheeled machinery, as well as deputy general manager and member of the Party committee of the Company.

Since January 2021, he has held several positions at the Company, including deputy general manager and technical director of harvesting machinery, dean of the Research Institute for Harvesting Machines, and director and general manager of Shandong Hechuang Agricultural Equipment Intelligent Technology Co., Ltd.

Mr. He obtained dual bachelor's degrees in industrial design and marketing from Taiyuan University of Technology (太原理工大學) in Shanxi Province, the PRC, in July 2005. He was certified as a professorate senior engineer by Shandong Provincial Department of Human Resources and Social Security in January 2022.

Mr. Li Zhengyu (李正宇), aged 46, is a deputy general manager of our Company.

Mr. Li joined our Group in September 2004 and has successively held various positions, including deputy director of the whole machine room at the first research institute in the technology center of the agricultural equipment division, director of the whole machine research office at the Research Institute for Tractors within the technology center, deputy director of the Research Institute for Tractors in the technology center, and deputy director of the tractor technology center in the technology research institute. From June 2013 to January 2021, he served as deputy manager of Lovol overseas division's agricultural equipment sales company and director of the overseas Research Institute for Tractors, deputy director of the transmission technology center in the technology research institute of the agricultural equipment division, director of the tractor technology center, vice president and later president of the technology research institute, assistant to the general manager of the Company, and executive director of Shandong Baoding Agricultural Machinery Testing Co., Ltd.

Since January 2021, he has served as the assistant to the general manager, vice president and tractor technology director of our Company, director of Shandong Hechuang Agricultural Equipment Intelligent Technology Co., Ltd., as well as general manager, executive director and tractor business director of Weichai Lovol (Weifang) Agricultural Equipment Co., Ltd.

He obtained a bachelor's degree in mechatronic engineering from Shenyang Institute of Technology in Liaoning Province, the PRC, in July 2002. He was certified as a professorate senior engineer by Shandong Provincial Department of Human Resources and Social Security in March 2020.

INTERESTS OF DIRECTORS AND SENIOR MANAGEMENT

Saved as disclosed above, none of our Directors and senior management had been a director of any public company the securities of which were listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this Document. Save as disclosed herein, to the best knowledge, information and belief of the Directors having made all reasonable inquiries, there are no other matters with respect to the appointment of our Directors that need to be brought to the attention of the Shareholders, nor is there any information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

As of the Latest Practicable Date, none of our Directors or senior management were related to other Directors or senior management of our Company.

JOINT COMPANY SECRETARIES

Mr. Wang Junwei (王俊偉) is the joint company secretary of our Company. He also serves as an executive Director, chief financial officer and secretary of the Board of our Company. See "— Directors — Executive Directors" in this section for his biographical details.

Ms. Tsui Ka Yan (崔嘉欣) is an assistant manager of Listing Services Division in TMF Hong Kong Limited and is responsible for providing corporate secretarial and compliance services for listed clients. Ms. Tsui is currently responsible for providing corporate secretarial and compliance services to several Hong Kong public companies.

She obtained a bachelor degree in business administration in accountancy from The City University of Hong Kong in July 2017. She is an Associate of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute in the United Kingdom.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the relevant PRC laws and regulations and the Corporate Governance Code and the Listing Rules, our Company has formed four Board committees, namely the Audit and Risk Committee, the Strategy and Investment Committee, the Remuneration and Evaluation Committee and the Nomination committee.

Audit and Risk Committee

We have established an Audit and Risk Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The Audit and Risk Committee consists of three Directors, namely Mr. Huang Botao, Mr. Sun Chenglong and Mr. Zhang Yuanfu. Mr. Huang Botao, being the chairperson of the Audit and Risk Committee, holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the Audit and Risk Committee include, but are not limited to, the following:

- reviewing and evaluating the work of external auditors;
- monitoring and making recommendations concerning the internal audit work of our Company;
- reviewing and making recommendations concerning the financial reports of our Company;
- evaluating the effectiveness of internal control work;
- ensuring coordination between the management, internal audit department and relevant departments and external auditors; and
- performing other duties and responsibilities as assigned by our Board.

Remuneration and Appraisal Committee

We have established a Remuneration and Appraisal Committee with written terms of reference in compliance with the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The Remuneration and Appraisal Committee consists of three Directors, namely Ms. Yang Minli, Mr. Wang Decheng and Mr. Huang Botao. Ms. Yang Minli serves as the chairperson of the Remuneration and Appraisal Committee. The primary duties of the Remuneration and Appraisal Committee include, but are not limited to, the following:

- reviewing and approving remuneration proposals of members of our senior management in accordance with our Company's policies and objectives as approved by our Board from time to time;
- making recommendations to our Board concerning our Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules; and
- performing other duties and responsibilities as assigned by our Board.

Nomination Committee

We have established a Nomination Committee with written terms of reference in compliance with the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The Nomination committee consists of three Directors, namely Mr. Zhang Yuanfu, Mr. Wang Guimin and Ms. Yang Minli. Mr. Zhang Yuanfu serves as the chairperson of the Nomination committee. The primary duties of the Nomination Committee include, but are not limited to, the following:

- reviewing and making recommendations to the Board on the composition and number of our Board and senior management with reference to our Company's business activities, the scale of assets and shareholding structure;

- identifying individuals suitably qualified to become a member of our Board and senior management, and making recommendations to our Board on the selection of individuals nominated for directorships and senior management;

- reviewing the structure and diversity of the Board and selecting individuals to be nominated as Directors;

- accessing and making recommendations to the selection of other senior management appointed by our Board; and

- performing other duties and responsibilities as assigned by our Board.

Strategy and Investment Committee

We have established a Strategy and Investment Committee with written terms of reference. The Strategy and Investment Committee consists of five Directors, namely Mr. Wang Guimin, Mr. Wang Decheng, Mr. Wang Jian, Mr. Sun Chenglong and Ms. Yang Minli. Mr. Wang Guimin serves as the chairperson of the Strategy and Investment Committee. The primary duties of the Strategy and Investment Committee include but not limited to make recommendations to our Board on the long-term development strategy and major investments and projects of our Company.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

We offer our executive Directors and senior management members, who are also the Company's employees, remuneration in the form of salaries, allowances and benefits in kind, performance related bonuses and pension scheme contributions. Our independent non-executive Directors receive remuneration with reference to their respective positions and duties, including being a member or the chairperson of Board committees.

For the years ended December 31, 2022, 2023 and 2024, the aggregate amount of remuneration paid or payable to our Directors amounted to approximately RMB2.6 million, RMB3.0 million and RMB3.3 million, respectively. Under the arrangement currently in force, we estimate the total remuneration before taxation, including estimated share-based remuneration, to be accrued to our Directors for the year ending December 31, 2025 to be approximately RMB7.09 million. The actual remuneration of Directors for the year ending on December 31, 2025 may be different from the expected remuneration.

The five highest paid employees in the Group included one, two and two Directors, for the years ended December 31, 2022, 2023 and 2024, respectively.

During the Track Record Period, no remuneration was paid to our Directors or any of the five highest paid individuals as an inducement to join, or upon joining, our Group. During the Track Record Period, no compensation was paid to, or receivable by, any of our Directors, former directors or the five highest paid individuals for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period. Save as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors or the five highest paid individuals during the Track Record Period.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management and will, following the [**REDACTED**], receive recommendations from our Remuneration and Evaluation Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and senior management and the performance of our Group.

CORPORATE GOVERNANCE

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, our Company complies or intends to comply with the corporate governance requirements under the Corporate Governance Code set out in Appendix C1 to the Listing Rules after the [**REDACTED**].

Our Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group to achieve effective accountability. Our Company intends to comply with all code provisions in the Corporate Governance Code as set out in Appendix C1 to the Listing Rules after the [**REDACTED**].

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted a board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors when selecting the candidates to our Board, including, but not limited to, gender, skills, age, professional experience, knowledge, cultural background, education background, ethnicity and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board.

Our board currently consists of one female Directors and eight male Directors. Our Directors have a balanced mix of knowledge and skills, including overall management and strategic development, engineering, finance and corporate governance in addition to industry experience relevant to our Group's operations and business. They obtained degrees in various majors including engineering, industrial design, marketing and automation. This diverse academic background allows the Board to approach challenges and opportunities from multiple angles, fostering innovative solutions and comprehensive strategies. We have three independent non-executive Directors with different industry backgrounds, representing one third of the members of our Board. Furthermore, our Board has a diverse age and gender representation. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our board diversity policy.

Our Nomination Committee is responsible for reviewing the structure and diversity of the Board and selecting individuals to be nominated as Directors. After the [**REDACTED**], our Nomination committee will monitor and evaluate the implementation of the board diversity policy from time to time to ensure its continued effectiveness, and, when necessary, make any revisions that may be required and recommend any such revisions to our Board for consideration and approval. The Nomination Committee will also include in annual reports a summary of the board diversity policy, including any measurable objectives set for implementing the board diversity policy and the progress on achieving these objectives.

CONFIRMATION FROM OUR DIRECTORS

Rule 8.10 of the Listing Rules

Each of our Directors confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, either directly or indirectly, with our Company's business which would require disclosure under Rule 8.10 of the Listing Rules.

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on June 3, 2025 and (ii) understands the requirements under the Listing Rules that are applicable to him or her as a director of a [**REDACTED**] under the Listing Rules and the possible consequences of making a false declaration or giving false information to the Stock Exchange.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his/her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he/she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date and (iii) that there are no other factors that may affect his/her independence at the time of his/her appointment.

COMPLIANCE ADVISOR

We have appointed Rainbow Capital (HK) Limited as our Compliance Advisor pursuant to Rules 3A.19 of the Listing Rules. The Compliance Advisor will provide us with guidance and advice as to compliance with the Listing Rules and other applicable laws, rules, codes and guidelines. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will advise our Company in certain circumstances, including:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction is contemplated, including share issues and share repurchases;

(c) where we propose to use the [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this Document or where our business activities, developments or results deviate from any forecast, estimate or other information in this Document; and

(d) where the Hong Kong Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or [**REDACTED**] volume of its [**REDACTED**] securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

Pursuant to Rule 3A.24 of the Listing Rules, the Compliance Advisor will, on a timely basis, inform our Company of any amendment or supplement to the Listing Rules that are announced by the Hong Kong Stock Exchange. The Compliance Advisor will also inform our Company of any new or amended law, regulation or code in Hong Kong applicable to us, and advise us on the continuing requirements under the Listing Rules and applicable laws and regulations.

The term of the appointment of our Compliance Advisor will commence on the [**REDACTED**] and is expected to end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [**REDACTED**].

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, our Company was directly held as to approximately 61.10% by Weichai Power and 27.26% by Weichai Holdings.

Weichai Power was held as to approximately 16.32% by Weichai Holdings, which was in turn wholly owned by Shandong Heavy Industry. As Weichai Power is a consolidated subsidiary of Weichai Holdings and Weichai Holdings is able to exert substantial influence at the shareholders' meetings of Weichai Power, each of Weichai Holdings and Shandong Heavy Industry is also entitled to, through Weichai Power, indirectly control the exercise of more than 30% of the voting power at general meetings of our Company. As such, Weichai Power, Weichai Holdings and Shandong Heavy Industry, were collectively entitled to control approximately 88.36% of the voting rights of our Company.

Immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), Weichai Power, Weichai Holdings and Shandong Heavy Industry will collectively be entitled to control approximately [**REDACTED**]% of the voting rights of the enlarged share capital of our Company. Accordingly, Weichai Power, Weichai Holdings and Shandong Heavy Industry will constitute our Controlling Shareholders upon the [**REDACTED**].

CLEAR BUSINESS DELINEATION

Our Business

We are a leading provider of integrated smart agriculture solutions in China. We have cultivated integrated smart agriculture solutions that combine advanced full-suite intelligent agricultural machinery with smart agriculture systems to support the full agricultural production cycle. Our business is anchored in two core pillars: (i) full-suite intelligent agricultural machinery products, including tractors, harvesting machines and agricultural implements that span the entire modern agricultural production cycle, covering field preparing, planting, field management, harvesting, straw handling and grain drying, with a focus on high-end, intelligent agricultural machinery, addressing the challenges of "who to farm"; and (ii) smart agriculture services, with real-time operation data captured by agricultural machinery at their core, integrated IoT, AI and big data technologies to deliver a comprehensive understanding of soil, crop and environmental conditions. By applying AI-driven analytics, the system generates precise, data-backed recommendations and directs intelligent agricultural machinery to carry out coordinated, precision tasks, boosting productivity and improving quality, eventually addressing the challenges of "how to farm scientifically."

The Business of our Controlling Shareholders

Weichai Power is one of the vehicle and equipment manufacturing conglomerates in the PRC with the best comprehensive strengths. Weichai Power has been dedicated to product management and capital operation and striving to develop competitive products in terms of three key aspects: quality, technology and cost-effectiveness, thereby developing an industrial landscape of synergetic development among segments including powertrains, commercial vehicles, agricultural equipment (i.e. the business segment of our Group) and intelligent logistics.

Shandong Heavy Industry and Weichai Holdings are both internationally oriented, world-class industrial equipment manufacturing leaders in China, with their business operations spanning six major sectors: power systems, commercial vehicles, construction machinery, smart logistics, agricultural machinery (i.e. the business segment of our Group), and marine transportation equipment. Together, they control 11 publicly listed companies.

Our Group is the only member of our Controlling Shareholders principally engaged in the manufacturing and sales of agricultural machinery, which is completely different from the business of our Controlling Shareholders (excluding our Group).

As part of the Corporate Separation, we have disposed Lovol Beidahuang to Weichai Power Group. Lovol Beidahuang is principally engaged in manufacturing and sale of tractors. See "History, Development and Corporate Structure — Major acquisitions, disposals and mergers" for details. Considering that Lovol Beidahuang does not sell tractors to any external customer but solely support our Company's production chain to provide tractors and processing and warehousing services to our Group, our Company is of view that the tractor-related business of Lovol Beidahuang does not constitute material competition with our Group. Lovol Beidahuang has also confirmed that it will not sell tractors or similar products to other parties other than our Group. In addition, the revenue generated from sales of tractors to our Group by Lovol Beidahuang merely accounted for less than 0.03% of the total revenue of Weichai Power for the year ended December 31, 2024. Therefore, there is no material competition between the Controlling Shareholders and our Group and the principal businesses of our Controlling Shareholders are separate and clearly delineated from the principal businesses of our Group.

Each of the Controlling Shareholders confirms that it was not interested in any business which competes or is likely to compete, either directly or indirectly, with the Group's business under Rule 8.10 of the Listing Rules as of the Latest Practicable Date.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that we are capable of carrying on our business independently from our Controlling Shareholders and their close associates after the [**REDACTED**], taking into consideration the factors below.

Management Independence

Our business is managed and conducted by our Board and senior management. Upon [**REDACTED**], our Board will consist of nine Directors, comprising four executive Directors, two non-executive Director and three independent non-executive Directors. For more details, see "Directors and Senior Management". The details of our Directors and senior management holding positions in our Controlling Shareholders and their respective close associates are set out below:

Name	Major positions in our Company	Major positions in our Controlling Shareholders and their respective close associates
Mr. Wang Guimin	Executive Director and chairman of the Board	Director in Shandong Wuxing (a close associate of Weichai Power)
Mr. Wang Junwei	Executive Director, chief financial officer and secretary of the Board	Director in Shandong Qixing (a close associate of Weichai Power) Director in Shandong Wuxing (a close associate of Weichai Power)
Mr. Wang Decheng	Non-executive Director	Executive director and general manager of Weichai Power Vice chairman of the board of Weichai Holdings
Mr. Sun Chenglong	Non-executive Director	Chief financial officer of Weichai Holdings
Mr. Han Changde	Deputy general manager	Director in Shandong Wuxing (a close associate of Weichai Power)

Our Directors consider that we are able to carry on our business independently from our Controlling Shareholders and their close associates from a management perspective for the following reasons:

(a) save for above, our Directors and senior management members do not hold any role as an director or member of senior management in our Controlling Shareholders or their respective close associates. Despite the overlapping roles as detailed above, all our Directors and senior management are capable to contribute sufficient time and efforts to discharge their responsibilities in our Group effectively. Each of Mr. Wang Decheng and Mr. Sun Chenglong serves as our non-executive Director and is not involved in the daily management and operations of our Group. Further, each of the directorship held by Mr. Wang Guimin, Mr. Wang Junwei and Mr. Han Changde in Shandong Wuxing and Shandong Qixing is non-executive in nature and each of them is not involved in the day-to-day management and operations of business of Shandong Wuxing. Therefore, each of Mr. Wang Guimin, Mr. Wang Junwei and Mr. Han Changde does not expect that his directorship in Shandong Wuxing and Shandong Qixing will take up a substantial amount of his time, and he will be able to devote sufficient time to the management of our Company;

(b) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;

(c) each Director is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as our Director and his/her personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and a Director and/or his/her associate, he/she is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions and the interested Director shall abstain from voting and shall not be counted towards the quorum for the voting;

(d) upon the [**REDACTED**], we will have three independent non-executive Directors with extensive experience in their respective areas of expertise to ensure that the decisions of our Board are made after due consideration of independent and impartial opinions and in the best interests of our Company and our Shareholders as a whole. Certain matters of our Company must always be referred to the independent non-executive Directors for review and approval;

(e) where a Shareholders' meeting is held to consider a proposed transaction in which the Controlling Shareholders have a material interest, the Controlling Shareholders shall abstain from voting on the resolutions and shall not be counted towards the quorum for the voting; and

(f) our Company has appointed Rainbow Capital (HK) Limited as our compliance adviser, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and Listing Rules including various requirements relating to Directors' duties and corporate governance.

Based on the above, our Directors believe that our Board as a whole and together with our senior management are able to perform the managerial role in our Group independently from our Controlling Shareholders and its close associates after the [**REDACTED**].

Operational Independence

Our Group holds all the relevant material licenses, qualifications and permits required for conducting our business. Our Group has sufficient capital, facilities and employees to operate our business independently from the Controlling Shareholders and their close associates. Our Group also has independent access to our clients. We have our own accounting and financial department, human resources and administration department, internal control department and technology department. In addition, we have established our internal organizational and management structure which includes shareholders' meetings, our Board and its committees and formulated the terms of reference of these bodies in accordance with the requirements of the applicable laws and regulations, the Listing Rules and the Articles of Association, so as to establish a regulated and effective corporate governance structure with independent departments, each with specific areas of responsibilities.

We believe that we are capable of carrying on our business independently of the Controlling Shareholders and their close associates. Our Directors are of the view that our Group will be able to operate independently from the Controlling Shareholders and their respective close associates after the [**REDACTED**].

We entered into certain continuing connected transactions with our Controlling Shareholders and/or their respective associates. See section headed "Connected Transactions" for more details. All such transactions will be conducted on arm's length and on normal commercial terms in the ordinary and usual course of business of our Group in accordance with the requirements under Chapter 14A of the Listing Rules, and the pricing policy of our Group and our connected persons will not be prejudicial to the interests of any of the parties. Our Directors believe that such transactions will not affect the operational independence of our Group as a whole. Specifically, our Group will continue to procure certain products and services, particularly engines, from Weichai Power Group. Our Directors believe that such continuing connected transactions do not indicate any undue reliance by our Group on our Controlling Shareholders for the reasons set out below:

(i) Long-standing and mutually beneficial relationship

Weichai Power Group has long been a well-known manufacturer in China's engine industry. According to data from the China Internal Combustion Engine Industry Association, Weichai Power ranked first in the multi-cylinder diesel engine market from 2022 to 2024, demonstrating a strong market need for its high-quality products. Furthermore, according to public available information, Weichai Power has also been major supplier of engines to other industry players in the agricultural machinery industry. Our Group has established and continued a long-term, stable and mutually beneficial business relationship with Weichai Power. Through such arrangement, we are able to benefit from Weichai Power's expertise in the manufacturing of high-quality engines at competitive prices. During the Track Record Period, the procurement amount of engines by us from Weichai Power Group accounted for approximately 50.25%, 69.76% and 83.12% of the total purchases of engines made by us.

Therefore, on one hand, Weichai Power is one of the most important suppliers of our Group; on the other hand, the long-term and stable business relationship enables Weichai Power to grow alongside our Group's expansion. We believe the likelihood that the relationships between Weichai Power and our Group will materially adversely change or terminate is remote, and that maintaining such relationship is in the best interest of the shareholders of both Weichai Power and our Group.

(ii) Independent source of other suppliers

Our Group has independent procurement department overseeing our overall procurement. In terms of procurement by our Group, we also possess independent sources of procurement of engines. During the Track Record Period, the amount of procurement of engines by our Company from independent third-party suppliers accounted for approximately 49.75%, 30.24% and 16.88% of the total purchases of engines made by us. Although we believe that in the unlikely event that Weichai Power would cease to supply engines to us, we are able to source from alternative suppliers at comparable quality as Weichai Power Group, and our business and operations would not be materially adversely affected.

(iii) Fair and reasonable pricing terms

We have established comprehensive and systematic pricing policies and shall obtain fee quotes from Independent Third Parties before making any purchases, which are fair and reasonable pricing terms and beneficial to our Group. In addition, Weichai Power, as a company listed both on the Shenzhen Stock Exchange and the Stock Exchange, is also subject to applicable PRC rules, regulations and A-share listing rules to ensure that the terms for transactions with us are fair and reasonable.

(iv) High level of transparency and corporate governance measures

Our transactions with Weichai Power will be subject to relevant requirements under the Listing Rules, including but not limited to, independent shareholders' approval and the review by our independent non-executive Directors and auditors on an annual basis. As such, upon [**REDACTED**], the Shareholders of the Company will be well protected as the fairness and reasonableness of the transactions, will be closely and regularly monitored by our independent shareholders, independent non-executive Directors and auditors.

Financial Independence

We have an independent financial system and make financial decisions according to our Group's own business needs. We have our own internal control and accounting systems and an independent finance department in charge of our treasury function and making financial decisions independently based on our Group's needs. Our Company maintains bank accounts independently and does not share any bank account with our Controlling Shareholders. Our Company makes tax registration and pays tax independently with its own funds. As such, our

Company's financial functions, such as cash and accounting management, invoices and bills, operate independently from our Controlling Shareholders and their respective close associates. We do not rely on our Controlling Shareholders and their close associates for financing.

In addition, we have been receiving financial services from Shanzhong Finance, a close associate of our Controlling Shareholders, including deposit services, loan services and other financial services in connection with our ordinary course of business operation. For more details, see "Connected Transactions". We have entered into a financial services framework agreement with Shanzhong Finance, among which Shanzhong Finance will provide us a credit facility of up to RMB5,000 million, RMB5,500 million and RMB6,000 million for the three years ending December 31, 2027. Such transactions constitute financial assistance received by our Group from our connected persons for the benefit of our Group under Rule 14A.90 of the Listing Rules and is fully exempt from the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. As of Latest Practicable Date, there were approximately RMB69.9 million outstanding loans provided by Shanzhong Finance. Our Directors consider that the financial services arrangements are fair and reasonable and are in the interests of the Company and the shareholders as a whole. The Group is able to choose deposit services, loan services and other financial services provided by other Independent Third Party commercial banks and financial services institutions, even if the arrangements with Shanzhong Finance is terminated. As of the Latest Practicable Date, there were no guarantees provided by our Controlling Shareholders or their respective close associates to facilitate our financings.

Taking into consideration that: (i) we have sufficient capital, cash and cash equivalent and bank facilities and credit to operate our business independently, and have sufficient internal resources to support our day-to-day operations. As of December 31, 2024, our cash and cash equivalents amounted to RMB4,780 million, (ii) we have access to Independent Third Party financial institutions and are not required to rely on any guarantee or mortgage from our Controlling Shareholders or its close associates to obtain the relevant financing. As of April 30, 2025, we had cooperated with a number of independent PRC commercial banks and obtained a total of RMB14,428 million credit line and such credit facilities are sufficient to cover our credit facility from Shanzhong Finance, (iii) our Group has a strong financial position with our business operations established in relatively mature markets and (iv) the arrangement of financial services within PRC state-owned enterprises is common. We also have discretion in selecting financial services from independent commercial banks as we think fit and appropriate for the benefit of the Group, our Directors are of the view that the Company has the ability to obtain financing independently, and are financially independent of our Controlling Shareholders and their respective close associates.

On July 13, 2021, Weichai Power, Weichai Holdings, Tianjin Lovol (currently known as Arbos Technology Group Co., Ltd. (阿波斯科技集團股份有限公司) ("**Arbos Technology**")) and our Company entered into a VAT credit compensation framework agreement (the "**VAT Credit Compensation Agreement**"), pursuant to which, (i) apart from the considerations settled for acquisition of shareholding interests in our Company by Weichai Holdings and Weichai Power from Arbos Technology, each of Weichai Power and Weichai Holdings agreed to additionally compensate Arbos Technology for the amount of VAT input credit refunds as of September 30, 2020 received by the Company in proportion to their respective shareholding percentages in our Company acquired from Arbos Technology (the "**VAT Credit Compensation**"), and (ii) our Company agreed to provide a joint and several liability guarantee in favor of Weichai Power and Weichai Holdings for the VAT Credit Compensation (the "**Guarantee Arrangement**"). The aggregate amount of the VAT Credit Compensation provided by Weichai Power and Weichai Holdings shall be no more than RMB777 million. As of the Latest Practicable Date, Weichai Power and Weichai Holdings, collectively, have made a total of RMB448 million payment to Arbos Technology.

In January 2025, Arbos Technology filed a lawsuit against Weichai Power, Weichai Holdings and our Company to the competent court in Tianjin (the "**VAT Credit Compensation Litigation**"), requesting (i) each of Weichai Power and Weichai Holdings pay the outstanding VAT Credit Compensation, plus the overdue payment interests (calculated at 150% of the one-year LPR published by the National Interbank Funding Center authorized by the People's Bank of China), which amounted to approximately RMB374 million in total, (ii) our Company provide a joint and several liability guarantee in favor of Weichai Power and Weichai Holdings for abovementioned amount. Based on the advice of the litigation counsel of our Company, the lawsuit and the performance under the VAT Credit Compensation arrangement will not affect the validity of the shareholding acquisitions by Weichai Power and Weichai Holdings from Arbos Technology and will not result in the shareholding changes of our Company.

We currently expect the Guarantee Arrangement to remain in force upon the [**REDACTED**] and shortly thereafter which would therefore, constitute a one-off financial assistance provided by us to our Controlling Shareholders. We have obtained an unconditional and irrevocable undertaking from each of Weichai Power and Weichai Holdings in favor of us, whereby each of Weichai Power and Weichai Holdings undertakes to (i) fully repay and settle any outstanding amount arising from VAT Credit Compensation as determined by the relevant judicial procedures and ensure our Company would not be subject to any liability under the Guarantee Arrangement; (ii) keep our Company indemnified promptly for any losses, liabilities, damages or costs which may be imposed on, suffered or incurred by our Company as a result of or in connection with the Guarantee Arrangement; and (iii) be committed to maintain the shareholding stability of our Company, including neither use their shareholding interests in our Company as payment consideration, nor monetize such shareholding interests through sale, pledge, or any other means to satisfy payment obligations. Having taken into account the above as well as the sufficient financial capacity of Weichai Power and Weichai Holdings, our Company believes that (i) the shareholding structure of our Company will not be affected by the lawsuit; (ii) the likelihood that we will be required to make repayment on behalf of Weichai Power and Weichai Holdings pursuant to the Guarantee Arrangement is remote; and (iii) the Guarantee Arrangement is not expected to have any material adverse impact on our Company's business operation or financial condition which would jeopardize our Company's capability in maintaining its financial independence. The PRC legal advisors of our Company is of view that the VAT Credit Compensation Litigation will not have any material adverse impact on the stability of the shareholding of the Company, nor will it have any material adverse impact on the Company's business operation or the Proposed [**REDACTED**].

Save as disclosed above, our Directors confirm that, as of the Latest Practicable Date, there were no outstanding loans or guarantee provided by or guaranteed to our Controlling Shareholders or their associates to facilitate our financings.

Based on the above, our Directors believe that we are capable of carrying on our business independently from, and do not place undue reliance on our Controlling Shareholders and their close associates after the [**REDACTED**].

CORPORATE GOVERNANCE

Our Company and Directors are committed to upholding and implementing good corporate governance and recognize the importance of protecting the rights and interests of all Shareholders, including the rights and interests of our minority Shareholders. Our Company will comply with the provisions of the Corporate Governance Code in Appendix C1 to the Listing Rules (the "**Corporate Governance Code**"), which sets out principles of good corporate governance.

We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders and their close associates:

(a) where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders and/or their close associates has a material interest, our Controlling Shareholders and/or their close associates will abstain from voting on the resolutions and shall not be counted in the quorum in the voting;

(b) in accordance with our Articles of Association which will come into effect upon [**REDACTED**], among others, a Director shall abstain from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her close associates has a material interest nor shall such Director be counted in the quorum present at the Board meeting;

(c) our Company has established internal control mechanisms to identify connected transactions. Upon the [**REDACTED**], if our Group enters into connected transactions with our Controlling Shareholders and/or their close associates, we will comply with the applicable Listing Rules;

(d) we are committed that our Board shall include a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors, and we believe our independent non-executive Directors (i) possess sufficient experiences, (ii) are free of any business or other relationship which could interfere with the exercise of their independent judgment in any material manner, and (iii) will be able to provide an impartial and external opinion to protect the interests of our Shareholders as a whole. See the section headed "Directors and Senior Management" for details of the independent non-executive Directors;

(e) where our Directors reasonably request the advice of independent professionals or advisors, such as financial advisors, valuers or legal advisors, the appointment of such independent professionals or advisors will be made at our Company's expenses;

(f) we have appointed Rainbow Capital (HK) Limited as our Compliance Advisor to provide us with advice and guidance in respect of compliance with the applicable laws and regulations and the Listing Rules, including various requirements relating to Directors' duties and corporate governance; and

(g) we have established our Strategy Committee, Audit and Risk Committee, Remuneration and Appraisal Committee and Nomination Committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority Shareholders' interests after the [**REDACTED**].

OVERVIEW

We have, in our ordinary and usual course of business, entered into certain transactions with entities that will become our connected persons (as defined under Chapter 14A of the Listing Rules) upon [**REDACTED**]. Such transactions will continue after the [**REDACTED**] and will therefore constitute our continuing connected transactions under the Listing Rules.

CONNECTED PERSONS

The following entities will become our connected persons (as defined under Chapter 14A of the Listing Rules) upon [**REDACTED**] and have entered into certain transactions with us which will constitute continuing connected transactions under Chapter 14A of the Listing Rules:

Connected Persons	Connected Relationship
Weichai Power and its associates (collectively, the "**Weichai Power Group**")	Weichai Power is one of a Controlling Shareholders of our Company
Weichai Holdings and its associates (excluding Weichai Power Group, collectively, the "**Weichai Holdings Group**")	Weichai Holdings is one of the Controlling Shareholders of our Group
Shandong Heavy Industry and its associates (excluding Weichai Power Group and including Weichai Holdings Group, collectively, the "**Shandong Heavy Industry Group**")	Shandong Heavy Industry holds 100% shareholding interest in Weichai Holdings, and is one of the Controlling Shareholders of our Group
Huiyin Financial Leasing Co., Ltd. (匯銀融資租賃有限公司) ("**Huiyin Financial Leasing**")	Huiyin Financial Leasing is wholly owned by Shanzhong Financial Leasing Co., Ltd. (山重融資租賃有限公司), which is in turn controlled by Shandong Heavy Industry as to more than 50%, and therefore constitute a connected person of our Company
Shandong Heavy Industry Group Finance Co., Ltd. (山東重工集團財務有限公司) ("**Shanzhong Finance**")	Shanzhong Finance is owned by Shandong Heavy Industry as to 37.50% and Weichai Power as to 31.25%, respectively, and therefore constitute a connected person of our Company
Shandong Baoding Agriculture Machinery Testing Co., Ltd. (山東寶鼎農業機械檢測有限公司) (the "**Connected Subsidiary**")	The Connected Subsidiary is a non-wholly owned subsidiary of our Company and is owned as to more than 10% by Weichai Holdings and therefore constitutes a connected subsidiary of our Company under Rule 14A.16 of the Listing Rules

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

Nature of transactions	Counterparties	Applicable Listing Rules	Waiver Sought
Fully exempt continuing connected transactions			
1. . . Trademarks licensing	Weichai Holdings Group	14A.76(1)(a)	N/A
2. . . Procurement of testing services	Connected Subsidiary	14A.76(1)(a)	N/A
3. . . Lease of properties to connected persons	Shandong Heavy Industry Group and Connected Subsidiary	14A.76(1)(a)	N/A
4. . . Lease of properties from connected persons	Weichai Power Group and Shandong Heavy Industry Group	14A.76(1)(a)	N/A
Non-exempt continuing connected transactions			
1. . . Procurement of materials and services	Shandong Heavy Industry Group	14A.34 to 14A.36, 14A.49, 14A.51 to 14A.59 and 14A.71	Announcement requirement
2. . . Provision of products and services	Shandong Heavy Industry Group	14A.34 to 14A.36, 14A.49, 14A.51 to 14A.59 and 14A.71	Announcement requirement
3. . . Provision of products and services	Weichai Power Group	14A.34 to 14A.36, 14A.49, 14A.51 to 14A.59 and 14A.71	Announcement And independent Shareholders' approval Requirements
4. . . Procurement of products and services	Weichai Power Group	14A.34 to 14A.36, 14A.49, 14A.51 to 14A.59 and 14A.71	Announcement And independent Shareholders' approval Requirements
5. . . Financing and guarantee under the finance lease	Huiyin Financial Leasing	14A.34 to 14A.36, 14A.49, 14A.51 to 14A.59 and 14A.71	Announcement And independent Shareholders' approval Requirements
6. . . Receipt of financial services	Shanzhong Finance	14A.34 to 14A.36, 14A.49, 14A.51 to 14A.59 and 14A.71	Announcement And independent Shareholders' approval Requirements

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into the following transactions with our connected persons on normal commercial terms, which will continue after the [**REDACTED**]:

(1) licensing our trademarks to Weichai Power Group and Weichai Holdings Group, for use in connection with the ordinary course of business and operations either on a royalty-free basis or charge a licensing fee for RMB50 per vehicle. The relevant parties will use the licensed trademarks within the scope specified in the trademarks licensing agreements. The trademark licensing agreements will end on either November 7, 2025 or April 30, 2026, subject to renewal by mutual consent.

(2) procurement of testing services from Connected Subsidiary for the testing of our agricultural machinery. The pricing of the procurement shall be determined at after arm's length negotiations between our Group and Connected Subsidiary, with reference to, among others, the market price of the services and the cost incurred in respect of the relevant services.

(3) lease of properties by us to each of Shandong Heavy Industry Group and Connected Subsidiary. The pricing shall be determined after an arm's length negotiations with reference to the location, function and size of the properties, and is to be no less favourable to our Group than the prevailing market price of the rent of similar property in the vicinity.

(4) lease of properties/facilities, such as computers, from each of Weichai Power Group and Shandong Heavy Industry Group. The pricing shall be determined after an arm's length negotiations with reference to the location, function and size of the properties, and the specification of the required facility, and is to be no less favorable to our Group than the prevailing market price of the rent of similar property in the vicinity and of the similar facility. Since the term of the lease fall within short-term lease and are not recognized as right-of-use assets on our consolidated statement of financial position in accordance with IFRS16 "Leases", such transactions will be treated as continuing connected transaction instead of one-off connected transaction.

As the highest applicable percentage ratios for each of the abovementioned transactions for the purpose of Chapter 14A of the Listing Rules will be less than 0.1% on an annual basis, each of such transactions will constitute a de minimis continuing connected transaction of our Company pursuant to Rule 14A.76(1) of the Listing Rules that will be fully exempt from reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS SUBJECT TO REPORTING, ANNUAL REVIEW AND ANNOUNCEMENT REQUIREMENTS

We have entered into the following transactions which, as our Directors currently expect, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will be more than 0.1% but less than 5% on an annual basis. Under Rule 14A.76(2) of the Listing Rules, these transactions will be subject to the reporting, annual review and announcement requirements under Chapter 14A of the Hong Kong Listing Rules but will be exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

1. Procurement of materials and services from Shandong Heavy Industry Group

Parties

Shandong Heavy Industry Group

Our Company (for itself and on behalf of its subsidiaries)

Principal terms

We entered into a procurement of materials and services framework agreement with Shandong Heavy Industry on [●] (the "**Shandong Heavy Industry Procurement Framework Agreement**"), pursuant to which our Group may from time to time procure certain materials and services from Shandong Heavy Industry Group, including but not limited to (i) raw materials, equipment and new energy commercial vehicles; and (ii) the administrative services such as sharing of utilities, meeting services, after-sales services, and consultation services, such as technology consultation services and training services. The initial term of the Shandong Heavy Industry Procurement Framework Agreement shall commence on the [**REDACTED**] until [December 31, 2027], subject to renewal by mutual consent.

Pricing terms

The pricing for the procurement of the relevant products and services shall be determined based on arm's length negotiations between the parties with reference to the type and specification of product/service required, the relevant labour costs, raw material costs and production costs the prevailing market price of similar product/service, and shall not be less favourable than those for transactions between our Group and Independent Third Parties under the same conditions.

Reasons for the transactions

We have been historically procuring the relevant materials and services from Shandong Heavy Industry Group from time to time, which allows both of our Group and Shandong Heavy Industry Group to leverage the enhanced economies of scale and hence increased cost efficiency. Through the long-standing and stable business relationship, Shandong Heavy Industry Group has gained a comprehensive understanding of our business needs, quality standards and operational requirements, and we consider that Shandong Heavy Industry Group is capable of effectively and stably satisfying our demand for the relevant products and services.

In addition, procurement of administrative and consultation services from Shandong Heavy Industry Group can help enhance utilization and economies of scale of their existing operational support resources and, on the other hand, reduce the administrative costs of our Group in procuring similar services from a wide range of other providers. Based on our experience in procurement of the relevant services from Shandong Heavy Industry Group, we consider that Shandong Heavy Industry Group is capable of effectively and stably satisfying our demand with quality services.

Historical amounts

Set out below are the historical transaction amounts for the abovementioned transactions during the Track Record Period:

	For the year ended December 31,		
	2022	**2023**	**2024**
		(RMB million)	
Procurement of products from Shandong Heavy Industry Group	77	42	55
Procurement of services from Shandong Heavy Industry Group	55	15	23

Annual caps and basis of annual caps

The maximum aggregate annual transaction amounts under the Shandong Heavy Industry Procurement Framework Agreement for the three years ending [December 31, 2027] shall not exceed the caps set out below:

	For the year ending December 31,		
	2025	**2026**	**2027**
		(RMB million)	
Procurement of products from Shandong Heavy Industry Group	100	104	106
Procurement of services from Shandong Heavy Industry Group	35	28	27

The above proposed annual caps of procurements of materials and services by our Group are determined with reference to:

(a) the historical transaction amounts during the Track Record Period;

(b) the estimated demands for the materials and services supplied by Shandong Heavy Industry Group for the three years ending [December 31, 2027], taking into account the existing contracts or arrangements between our Group and Shandong Heavy Industry Group and development plans of both groups; and

(c) the estimated materials and service fees to be charged by Shandong Heavy Industry Group, with reference to the price level during the Track Record Period and the potential fluctuation in the price, taking into account the relevant cost.

2. Provision of products and services to Shandong Heavy Industry Group

Parties

Shandong Heavy Industry Group

Our Company (for itself and on behalf of its subsidiaries)

Principal terms

We entered into a provision of products and services framework agreement with Shandong Heavy Industry on [●] (the "**Shandong Heavy Industry Provision Framework Agreement**"), pursuant to which our Group may from time to time provide certain products and services to Shandong Heavy Industry Group, including but not limited to (i) our products including but not limited to our machinery, such as rice harvesting machine, drive axle transmission and machinery-related components; and (ii) the relevant services such as labour services.

Pricing terms

The prices for the products we offered to Shandong Heavy Industry Group shall be determined between Shandong Heavy Industry Group and us after arm's length negotiations, with reference to the cost of relevant products and the prices we offer to other Independent Third Parties in the ordinary and usual course of business.

The prices for the relevant services shall be determined between Shandong Heavy Industry Group and us after arm's length negotiations, taking into account of the type of services required, the relevant labour costs, and the prevailing market price of similar services, and shall not be less favourable than those for transactions between our Group and Independent Third Parties under the same conditions.

Reasons for the transactions

Given our global leading position in the smart agriculture integrated solution industry, Shandong Heavy Industry Group have been sourcing relevant products and components from us for use in its productions. In addition, Shandong Heavy Industry Group have demand for the accompanied services to support its use of our products and further for its business operations, which it has been sourcing from our Group from time to time. Such cooperations provide mutual benefits to our Group and Shandong Heavy Industry Group, which in turn enhance business growth.

Historical amounts

Set out below are the historical transaction amounts for the abovementioned transactions during the Track Record Period:

	For the year ended December 31,		
	2022	2023	2024
		(RMB million)	
Provision of products to Shandong Heavy Industry Group	140	72	73
Provision of services to Shandong Heavy Industry Group	3	2	1

Annual caps and basis of annual caps

The maximum aggregate annual transaction amounts under the Shandong Heavy Industry Provision Framework Agreement for the three years ending [December 31, 2027] shall not exceed the caps set out below:

	For the year ending December 31,		
	2025	2026	2027
		(RMB million)	
Provision of products to Shandong Heavy Industry Group	76	74	74
Provision of services to Shandong Heavy Industry Group	1	1	1

The above proposed annual caps of provision of products and services provided by our Group are determined with reference to:

(a) the historical transaction amounts and the growing trend during the Track Record Period;

(b) the estimated transaction amounts based on the existing contracts or arrangements between our Group and Shandong Heavy Industry and/or its associates; and

(c) the estimated demands for our products, components and services from Shandong Heavy Industry and/or its associates for the three years ending [December 31, 2027], generally in line with the business expansion of Shandong Heavy Industry and/or its associates.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS SUBJECT TO REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

In our ordinary and usual course of business, we have entered into the following transactions which, as our Directors currently expect, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will be more than 5% on an annual basis. Under Rule 14A.76(2) of the Listing Rules, these transactions will be subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

3. Provision of products and services to Weichai Power Group

Parties

Weichai Power Group

Our Company (for itself and on behalf of its subsidiaries)

Principal terms

We entered into a provision of products and services framework agreement with Weichai Power on [●] (the "**Weichai Sales Framework Agreement**"), pursuant to which our Group may from time to time provide Weichai Power Group (i) our products, such as agricultural complete vehicles, parts and components for engines (mainly of oil pans, oil and gas separators); and (ii) warranty of maintenance, replacement and return services. The initial term of the Weichai Sales Framework Agreement shall commence on the [**REDACTED**] until [December 31, 2027], subject to renewal by mutual consent.

Pricing terms

The prices for the products we offered to Weichai Power Group shall be determined between Weichai Power Group and us after arm's length negotiations, with reference to the market search on the prevailing market price, market share, order status, and the performance of key market competitors of similar products/ services and shall be in line with the prices we offer to other Independent Third Parties in the ordinary and usual course of business.

Reasons for the transactions

Weichai Power Group has been sourcing relevant parts and components from us, through which we have gained deep understanding of its operation needs. In addition, we provide our agricultural complete vehicles to Weichai Power Group for its distribution in overseas jurisdictions where we do not have any local subsidiaries in order to meet with the demands of agricultural complete vehicles by the local customers, through which we are able to leverage the global presence of Weichai Power Group and its local customers resources to efficiently expand our product offerings overseas. In addition, Weichai Power Group also has demand for the accompanied warranty of maintenance, replacement and return to support its use of our products and further for its business operations, which it has been sourcing from our Group from time to time. Such cooperations provide mutual benefits to our Group and Weichai Power Group, which in turn enhance business growth.

Historical amounts

Set out below are the historical transaction amounts for the abovementioned transactions during the Track Record Period:

	For the year ended December 31,		
	2022	2023	2024
		(RMB million)	
Provision of products to Weichai Power Group	126	166	208
Provision of services to Weichai Power Group	8	4	0.5

Annual caps and basis of annual caps

The maximum aggregate annual transaction amounts under the Weichai Sales Framework Agreement for the three years ending [December 31, 2027] shall not exceed the caps set out below:

	For the year ending December 31,		
	2025	2026	2027
		(RMB million)	
Provision of products to Weichai Power Group	406	699	981
Provision of services to Weichai Power Group	1	1	1

The above proposed annual caps of provision of products and services provided by our Group are determined with reference to:

(a) the historical transaction amounts and the growing trend during the Track Record Period;

(b) the estimated transaction amounts based on the existing contracts or arrangements between our Group and Weichai Power Group; and

(c) the estimated increase in demand for our products and services from Weichai Power Group for the three years ending [December 31, 2027], primarily due to the increasing demand of our parts and components by Weichai Power Group for manufacturing of its engines and the additional demands of products to be resold by Weichai Power Group overseas.

4. Procurement of products and services from Weichai Power Group

Parties

Weichai Power Group

Our Company (for itself and on behalf of its subsidiaries)

Principal terms

We entered into a procurement of products and services framework agreement with Weichai Power on [●] (the "**Weichai Procurement Framework Agreement**"), pursuant to which our Group may from time to time procure certain products and services from Weichai Power Group, including but not limited to (i) products and components such as diesel engines, diesel engines parts and components, materials, semi-finished products, hydraulic products and related products, as well as semi-finished diesel engine parts, diesel engine parts and components, reserve parts and related products; and (ii) processing services and labour services in respect of the products and components sold by Weichai Power Group to our Group.

Pricing terms

The pricing for the procurement of the relevant products and services shall be determined based on arm's length negotiations between the parties with reference to the type and specification of product/service required, the market search on the prevailing market price market share, order status, and the performance of key market competitors of similar product/service, and shall not be less favourable than those for transactions between our Group and Independent Third Parties under the same conditions.

Reasons for the transactions

Weichai Power is one of the vehicle and equipment manufacturing conglomerates in the PRC with the best comprehensive strengths, and has been dedicated to develop competitive products among business segments including powertrains (including engines, gear boxes, axles and hydraulics), complete vehicles, agricultural equipment and intelligent logistics. In our ordinary and usual business, our Group has been procuring from Weichai Power Group the relevant products and services from time to time, which enables them to be familiar with our business needs, quality standards and operational requirements. We believe that Weichai Power Group is capable of fulfilling our demand efficiently and reliably with a stable and high-quality supply of products and services, and entering into the agreement to procure products and services from Weichai Power Group would minimize disruption to our Group's operation and internal procedures.

Historical amounts

Set out below are the historical transaction amounts for the abovementioned transactions during the Track Record Period:

	For the year ended December 31,		
	2022	**2023**	**2024**
		(RMB million)	
Procurement of products from Weichai Power Group	1,272	2,406	2,650
Procurement of services from Weichai Power Group	31	64	63

Annual caps and basis of annual caps

The maximum aggregate annual transaction amounts under the Weichai Procurement Framework Agreement for the three years ending [December 31, 2027] shall not exceed the caps set out below:

	For the year ending December 31,		
	2025	**2026**	**2027**
		(RMB million)	
Procurement of products from Weichai Power Group	3,999	4,390	4,850
Procurement of services from Weichai Power Group	94	107	121

The above proposed annual caps of procurements of products and services by our Group are determined with reference to:

(a) the historical transaction amounts during the Track Record Period. Since December 2022, the engines procured by us from Weichai Power Group have gradually transitioned to National IV emission standard engines, which include additional components such as exhaust treatment systems compared to National III engines. This upgrade led to the increase in price of engines per unit. In addition to the increase in price, the increase in procurement amount was also driven by a stock-up of inventories to prepare for the expected increase in sales volume in 2024 after the change in government standards;

(b) the estimated demands for the products and services supplied by Weichai Power Group for the three years ending [December 31, 2027], which are expected to increase taking into account the existing contracts or arrangements between our Group and Weichai Power Group and development plans of both groups, primarily due to the expected increase in demand of the intelligent agricultural market and the expected better upgrade in types and quality of engines manufactured by Weichai Power Group compared to other independent third-party suppliers; and

(c) the estimated product and service fees to be charged by Weichai Power Group, with reference to the price level during the Track Record Period and the potential fluctuation in the price, taking into account the relevant raw materials, labour and R&D cost.

5. Financing and guarantee under the finance lease

Parties

Huiyin Financial Leasing

Our Company (for itself and on behalf of its subsidiaries)

Principal terms

At times, certain our end customers that have financing needs will seek financing from Huiyin Financial Leasing (which is principally engaged in the leasing and financing of engineering machinery, heavy-duty vehicles and agricultural machinery) in purchasing our products, such as our intelligent agriculture machineries, and Huiyin Financial Leasing, having reviewed the end customer's qualifications, will deposit the financed portion of the payment to be paid by the end customers into our designated bank account. Huiyin Financial Leasing then leases back the agricultural machinery to the end customers under agreed terms. The end customers will transfer the ownership of our relevant products to Huiyin Financial Leasing and shall make lease payments to Huiyin Financial Leasing for the use of the relevant leased products, and upon fulfilment of all outstanding lease payment obligations, Huiyin Financial

Leasing shall transfer the ownership of the leased products back to the customers at a nominal purchase price. Our Group is not involved in the decision-making process of the financing provided by Huiyin Financial Leasing to our end customers, nor the terms of the financial leasing services provided by Huiyin Financial Leasing to our end customers.

We entered into a guarantee framework agreement with Huiyin Financial Leasing on [●] (the "**Finance Lease Framework Agreement**"), pursuant to which we will provide repurchase guarantees to Huiyin Financial Leasing to guarantee the performance of the lessees' obligations under the relevant financial lease agreements. The initial term of the Financial Lease Framework Agreement shall commence on the [**REDACTED**] until [December 31, 2027], subject to renewal by mutual consent.

Pricing terms

The payment made by Huiyin Financial Leasing to our Group is equivalent to the remaining balances of the lessees who are Independent Third Parties for purchase of our products. The pricing terms of the guarantee and interest subsidies under the finance lease arrangements shall be agreed between the parties after arm's length negotiations on normal commercial terms.

Reasons for the transactions

We are principally engaged in the design, development, manufacture and sale of agricultural machinery and the supply of intelligent agriculture solutions, with the main products being tractors and different types of harvesting machinery and equipment, and it is in line with the market practice for us to cooperate with the finance lease arrangements and provide financial guarantees and interest subsidies in respect of the products sold to our end customers. Huiyin Financial Leasing has extensive industry experience in the financial leasing business and maintained a long-term business relationship with us and accumulated in-depth understanding of our business operations. Entering into finance lease agreements with Huiyin Financial Leasing would also expand the customer base of our Group, and will hence provide significant growth opportunity to us. According to Frost & Sullivan, it is common in the agricultural machinery industry to enter into finance lease arrangements for sales of products to end customers and provide guarantees to the financial leasing company to guarantee the performance under the finance lease arrangements.

Historical amounts

Set out below are the historical transaction amounts for the abovementioned transactions during the Track Record Period:

	For the year ended December 31,		
	2022	2023	2024
		(RMB million)	
Guarantees by us to Huiyin Financial Leasing (being the maximum day-end guarantee balance of the total outstanding amount)	1,158	1,349	1,960

Annual caps and basis of annual caps

The maximum aggregate annual transaction amounts under the Finance Lease Framework Agreement for the three years ending [December 31, 2027] shall not exceed the caps set out below:

	For the year ending December 31,		
	2025	2026	2027
		(RMB million)	
Guarantees by us to Huiyin Financial Leasing (being the maximum day-end guarantee balance of the total outstanding amount)	4,000	4,500	4,500

The above proposed annual caps are determined with reference to:

(a) the historical transaction amounts during the Track Record Period;

(b) the estimated outstanding balances with respect to the current financing arrangements (including the costs of the Huiyin Financial Leasing relating to the enforcement of the guarantees with respect to the lease payments and other expenses); and

(c) the expected increase in sales of equipment by our Group taking into account of our sales plan and the expected increase of the penetration rate of financial leasing, which is in line with the global trend in agricultural machinery industry.

6. Provision of financial services to our Group by Shanzhong Finance

Parties

Shanzhong Finance

Our Company (for itself and on behalf of its subsidiaries)

Principal terms

We entered into a financial services framework agreement with Shanzhong Finance on January 23, 2025 (the "**Financial Services Agreement**"), pursuant to which Shanzhong Finance has agreed to provide certain financial services, including but not limited to (i) deposit services; (ii) loan services, including the provision of loans, discounted notes and bill acceptance services, issuing of non-financing guarantee and the grant of credit facilities within the scope allowed by the laws, regulations and policies of the PRC; and (iii) other financial services including but not limited to settlement services and other financial services within the business scope of Shanzhong Finance such as financial advisory services, credit reference and related consultation services, and entrusted loan services, to our Group. The initial term of the Financial Services Agreement shall commence on the [**REDACTED**] until December 31, 2027, subject to renewal by mutual consent.

Pricing terms

In terms of the deposit services, any deposit services provided by Shanzhong Finance under the Financial Services Agreement will bear the same interest rate and be on the same terms and conditions as would apply to similar deposit services provided by Shanzhong Finance to its other customers of the same type, and deposit interest rate(s) are determined with reference to the rate(s) published by the PBOC.

In terms of the loan services, the interest rate for our loan services with Shanzhong Finance shall, subject to the compliance of the relevant requirements of the People's Bank of China, be no higher than the lowest interest rate for the same type of loan services offered by other banks in the market. The loan services constitutes financial assistance received by our Group from our connected persons for the benefit of our Group under Rule 14A.90 of the Listing Rules. Since the receipt of loan services are on normal commercial terms or better to our Group and are not secured by the assets of our Group, the receipt of loan services is fully exempt from the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In terms of other financial services, the fees to be charged by Shanzhong Finance for (i) the provision of the settlement services shall not exceed the service fee rates for the same type of services provided by other financial institutions in the PRC, and shall not be higher than the settlement fee rates charged by Shanzhong Finance from other members within Weichai Power Group; and (ii) the other financial services shall not exceed the fair market price or the level of fees charged by other financial institutions in the PRC. As the highest applicable percentage ratios of the relevant annual fees payable by the Group to Shanzhong Finance in aggregate will be below 0.1%, the provision of such financial services by Shanzhong Finance to the Group will be fully exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules according to Rule 14A.76 of the Listing Rules.

Reasons for the transactions

Shanzhong Finance is a company principally engaged in the finance services such as deposit, loan and other financing services and the activities of Shanzhong Finance are regulated by the NFRA and Shanzhong Finance provides services within its approved scope in accordance with its operational requirement. The interest rates offered by Shanzhong Finance for the deposit services, and the rates and fees charged by Shandong Finance for the loan services and other financial services to be provided to the Company shall be equal to or more favourable than those offered or charged by other financial institutions in the PRC for the same type of financial services provided to the Company. The reasons for and the benefits to our Group to use the financial services of Shanzhong Finance include but are not limited to: (i) Shanzhong Finance's better understanding of the operations and development needs of our Group which should allow more expedient and efficient provision of various tailor-made packaged financial services to our Group than other external banks in the PRC; (ii) the enhanced cost savings by reducing the amount of finance fees and charges payable to external banks when Shanzhong Finance can offer more favourable terms than those offered by external banks; (iii) Shanzhong Finance have fulfilled all terms of the financial services agreement signed with our Group historically. Our Company can further expand our financing channels through business corporation with Shanzhong Finance and help optimise the financial management of our Group, improve our efficiency on use of funds, and reduce financing costs and financing risks.

Historical amounts

Set out below are the historical transaction amounts for the abovementioned transactions during the Track Record Period:

	For the year ended December 31,		
	2022	**2023**	**2024**
		(RMB million)	
Maximum daily balance (including interests) of our Group's deposit services with Shanzhong Finance	5,148	1,939	1,892

Annual caps and basis of annual caps

The maximum aggregate annual transaction amounts under the Financial Services Agreement for the three years ending December 31, 2027 shall not exceed the caps set out below:

	For the year ending December 31,		
	2025	**2026**	**2027**
		(RMB million)	
Maximum daily balance (including interests) of our Group's deposit services with Shanzhong Finance	3,000	4,000	5,000

The above proposed annual caps are determined with reference to:

(a) the historical transaction amounts during the Track Record Period;

(b) the current and expected future cash flow position of our Group in light of our estimated scale of business operation, leading to larger operational cash inflows to our Group, hence driving up the needs for our Group's deposit services with Shanzhong Finance; and

(c) the liquidity of our Group, including the cash and cash equivalents of our Group as of December 31, 2024.

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Under Rule 14A.76(2) of the Listing Rules, the transactions under the subsection headed "— Non-exempt continuing connected transactions subject to the reporting, annual review and announcement requirements" and "— Non-exempt continuing connected transactions subject to reporting, annual review, announcement and independent Shareholders' approval requirements" will constitute our continuing connected transactions subject to those requirements under Chapter 14A of the Listing Rules (as the case may be).

As those non-exempt continuing connected transactions are expected to continue on a recurring and continuing basis and have been fully disclosed in this document, our Directors consider that compliance with the announcement and the independent Shareholders' approval requirements (as the case may be) would be impractical, and such requirements would lead to unnecessary administrative costs and would be unduly burdensome to us.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted], waivers exempting us from strict compliance with (i) the announcement requirement under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in "— Non-exempt continuing connected transactions subject to the reporting, annual review and announcement requirements" in this section; and (ii) the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in "— Non-exempt continuing connected transactions subject to reporting, annual review, announcement and independent Shareholders' approval requirements" in this section, subject to the condition that the aggregate amounts of the continuing connected transactions for each financial year shall not exceed the relevant amounts set forth in the respective annual caps (as stated above).

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this document, we will take immediate steps to ensure compliance with such new requirements within reasonable time.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that the non-exempt continuing connected transactions as set out above have been and will be carried out in our ordinary and usual course of business and on normal commercial terms or better, and are fair and reasonable and in the interest of our Company and Shareholders as a whole, and the proposed annual caps for those transactions are fair and reasonable and in the interest of our Company and Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

Based on the review of the documentation, information and data provided by our Company, the obtaining of necessary representations and confirmations from our Company and the Directors, and the participation in the due diligence and discussion with our Company, the Sole Sponsor is of the view that, as at the Latest Practicable Date, (i) the aforesaid non-exempt continuing connected transactions for which the waivers have been sought have been entered into in the ordinary and usual course of business of our Company, are on normal commercial terms or better, are fair and reasonable, and are in the interests of our Company and the Shareholders as a whole, and (ii) the proposed annual caps of the non-exempt continuing connected transactions are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

INTERNAL CONTROL MEASURES TO SAFEGUARD SHAREHOLDERS' INTERESTS

In order to further safeguard the interests of the Shareholders as a whole (including the minority Shareholders), our Group has implemented the following internal control measures in relation to the continuing connected transactions:

(a) Our Group has approved internal guidelines which provide that if the value of any proposed connected transaction is expected to exceed certain thresholds, the relevant staff must report the proposed transactions to the head of the relevant business unit in order for our Company to commence the necessary additional assessment and approval procedures and ensure that we will comply with the applicable requirements under Chapter 14A of the Listing Rules; and

(b) Our Company will provide information and supporting documents to the independent non-executive Directors and the auditors in order for them to conduct an annual review of the continuing connected transactions entered into by our Company. In accordance with the requirements under the Listing Rules, the independent non-executive Directors will provide an annual confirmation to the Board as to whether the continuing connected transactions have been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are in accordance with the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and the auditors will provide an annual confirmation to the Board as to whether anything has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Board, are not in accordance with the pricing policies of our Group in all material respects, are not entered into in accordance with the relevant agreements governing the transactions in all material respects or have exceeded the cap.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [**REDACTED**], the following persons are expected to have an interest in the Shares or underlying Shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of shareholder	Nature of interest	Number and Class of Shares Upon Completion of the [REDACTED][(1)]	Approximate Percentage of Shareholding in the Total Issued Share Capital of our Company as of the Latest Practicable Date	Approximate Percentage of Shareholding in the Total Issued Share Capital of our Company immediately after the [REDACTED][(2)]	Approximate Percentage of Shareholding in the Relevant Class of Shares after the [REDACTED]
Weichai Power	Beneficial interest	[**REDACTED**] Domestic [**REDACTED**] Shares	61.10%	[**REDACTED**]%	[**REDACTED**]%
Weichai Holdings[(3)]	Beneficial interest	[**REDACTED**] Domestic [**REDACTED**] Shares	27.26%	[**REDACTED**]%	[**REDACTED**]%
	Interest in controlled corporation	[**REDACTED**] Domestic [**REDACTED**] Shares	61.10%	[**REDACTED**]%	[**REDACTED**]%
Shandong Heavy Industry[(4)] . .	Interest in controlled corporation	[**REDACTED**] Domestic [**REDACTED**] Shares	88.36%	[**REDACTED**]%	[**REDACTED**]%

Notes:

(1) All interests stated are long positions.

(2) The calculation is based the total number of [**REDACTED**] Domestic [**REDACTED**] Shares in issue, [**REDACTED**] H Shares to be converted from Domestic [**REDACTED**] Shares in issue and [**REDACTED**] H Shares to be issued pursuant to the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised).

(3) Weichai Power is a controlled corporation of Weichai Holdings. Therefore, Weichai Holdings is deemed to be interested in the Shares held by Weichai Power under the SFO.

(4) As of the Latest Practicable Date, Weichai Holdings is wholly owned by Shandong Heavy Industry. Therefore, Shandong Heavy Industry is deemed to be interested in the Shares held by Weichai Holdings in the Company under the SFO.

Save as disclosed herein, the Directors are not aware of any other person who will, immediately following the [**REDACTED**] and the Conversion of Domestic [**REDACTED**] Shares into H Shares (and the [**REDACTED**] of any additional H Shares pursuant to the [**REDACTED**], if any), have an interest or short position in Shares or underlying Shares of the Company, which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company or any other member of our Group.

OUR SHARE CAPITAL

Immediately before the [REDACTED]

As of the Latest Practicable Date, the registered share capital of our Company was RMB1,145,762,606 comprising 1,145,762,606 Shares with a nominal value of RMB1.00 each.

Upon the Completion of the [REDACTED]

Immediately after the [**REDACTED**], assuming that the [**REDACTED**] is not exercised, the share capital of the Company will be as follows:

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital after the [REDACTED]
Domestic [**REDACTED**] Shares	[**REDACTED**]	[**REDACTED**]%
H Shares to be converted from Domestic [**REDACTED**] Shares	[**REDACTED**]	[**REDACTED**]%
H Shares to be issued pursuant to the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]%
Total	[**REDACTED**]	100%

Immediately after the [**REDACTED**], assuming that the [**REDACTED**] is fully exercised, the share capital of the Company will be as follows:

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital after the [REDACTED]
Domestic [**REDACTED**] Shares	[**REDACTED**]	[**REDACTED**]%
H Shares to be converted from Domestic [**REDACTED**] Shares	[**REDACTED**]	[**REDACTED**]%
H Shares to be issued pursuant to the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]%
Total	[**REDACTED**]	100%

CONVERSION OF DOMESTIC [REDACTED] SHARES INTO H SHARES

If any of the Domestic [**REDACTED**] Shares are to be converted, [**REDACTED**] and [**REDACTED**] as H Shares on the Hong Kong Stock Exchange, such conversion, [**REDACTED**] and [**REDACTED**] will need the filing of the relevant PRC regulatory authorities, including the CSRC, and the approval of the Hong Kong Stock Exchange.

File with the CSRC for Full Circulation

In accordance with the Overseas Listing Trial Measures and related guidelines, H-share listed companies shall file with the CSRC for the conversion of Domestic [**REDACTED**] Shares into H shares for [**REDACTED**] and circulation on the Hong Kong Stock Exchange. An [**REDACTED**] domestic joint stock company may file for "'full circulation" when applying for an overseas [**REDACTED**]. We have filed with the CSRC for the conversion of [**REDACTED**] Domestic [**REDACTED**] Shares into H Shares on a one-for-one basis ("**Conversion of Domestic [REDACTED] Shares into H Shares**") upon the completion of the [**REDACTED**] ("**Full Circulation Filing of the Company**") and CSRC [issued] the filing notice in respect of the [**REDACTED**] dated [●].

RESTRICTION ON TRANSFER OF SHARES ISSUED PRIOR TO THE [REDACTED]

In accordance with Article 160 of the PRC Company Law, the shares issued prior to any public offering of shares by a company cannot be transferred within one year from the date on which such publicly offered shares are listed and traded on the relevant stock exchange. As such, the Shares issued by the Company prior to the [**REDACTED**] will be subject to such statutory restriction on transfer within a period of one year from the [**REDACTED**].

REGISTRATION OF SHARES NOT LISTED ON AN OVERSEAS STOCK EXCHANGE

According to the Service Guide on Register and Custody of Non-overseas Listed Shares of Overseas Listed Companies from China Securities Depository and Clearing Corporation Limited (《中國證券登記結算有限責任公司境外上市公司非境外上市股份登記存管服務指南》), an overseas listed company should apply to China Securities Depository and Clearing Corporation Limited for the initial registration procedures of non-overseas listed shares in accordance with relevant requirements of the CSRC.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Pursuant to the PRC Company Law and the terms of the Articles of Association, our Company may from time to time by special resolution of shareholders, among others, increase its capital or decrease its capital or repurchase of shares. See "Appendix V — Summary of the Articles of Association" in this document.

SHAREHOLDERS' APPROVAL FOR THE [REDACTED]

Approval from holders of the Shares is required for the Company to [**REDACTED**] H Shares and seek the [**REDACTED**] of H Shares on the Hong Kong Stock Exchange. The Company has obtained such approval at the Shareholders' general meeting held on June 19, 2025.

You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Accountants' Report in Appendix I to this document. This consolidated financial information includes the financial information of our discontinued operations, which we disposed of in August 2022. Our consolidated financial information has been prepared in accordance with IFRS Accounting Standards.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this document, including but not limited to the sections headed "Risk Factors" and "Business."

For the purpose of this section, unless the context otherwise requires, references to 2022, 2023 and 2024 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a leading provider of integrated smart agriculture solutions in China. Our journey began in 2004 in Weifang, Shandong. Over the past two decades, we have cultivated integrated smart agriculture solutions that combine advanced full-suite intelligent agricultural machinery with smart agriculture systems to support the full agricultural production cycle. Our business is anchored in two core pillars: (i) full-suite intelligent agricultural machinery products, including tractors, harvesting machines and agricultural implements that span the entire modern agricultural production cycle, covering field preparing, planting, field management, harvesting, straw handling and grain drying, with a focus on high-end, intelligent agricultural machinery, addressing the challenges of "who to farm"; and (ii) smart agriculture services, with real-time operation data captured by agricultural machinery at their core, integrated IoT, AI and big data technologies to deliver a comprehensive understanding of soil, crop and environmental conditions. By applying AI-driven analytics, the system generates precise, data-backed recommendations and directs intelligent agricultural machinery to carry out coordinated, precision tasks, boosting productivity and improving quality, eventually addressing the challenges of "how to farm scientifically." Leveraging our forward-thinking strategic vision in smart agriculture industry, comprehensive product portfolio, cutting-edge technological capabilities and robust R&D foundation, we believe that we are well-positioned as an industry leader to seize emerging opportunities and gain first-mover advantages over our competitors.

Our revenue decreased from RMB15,950.0 million in 2022 to RMB14,676.3 million in 2023, and then increased to RMB17,393.0 million in 2024. Our gross profit increased from RMB1,912.2 million in 2022 to RMB1,939.2 million in 2023, and further increased to RMB2,302.3 million in 2024. Our profit for the year from continuing operations increased from RMB811.4 million in 2022 to RMB871.3 million in 2023, and further increased to RMB956.9 million in 2024. Our adjusted EBITDA increased from RMB838.7 million in 2022 to RMB986.4 million in 2023, and further increased to RMB1,141.2 million in 2024.

BASIS OF PREPARATION

The Historical Financial Information (as defined in Appendix I to this document) has been prepared in accordance with International Financial Reporting Standards ("IFRS"), which comprise all accounting standards and Interpretations approved by the International Accounting Standards Board ("IASB").

The Historical Financial Information has been prepared under the historical cost convention except for equity investment designated at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value.

For more information on the basis of preparation of the Historical Financial Information, see Note 2 of the Accountants' Report in Appendix I to this document.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, materially affected by a number of factors, many of which are beyond our control, including the following:

General Factors

Our business and results of operations are impacted by the following main general factors related to the jurisdictions where we sell our products:

- Relevant laws and regulations, governmental policies and initiatives;
- Overall political environment and economic growth;
- Growth, competition environment and market dynamics of agriculture machinery and intelligent agricultural machinery industry;
- Development of the technology in the agriculture machinery and intelligent agricultural machinery industry; and

- Occurrence of force majeure events, outbreak of public health incidents, acts of war, social and economic chaos and natural disasters.

Specific Factors

Our business and results of operations are also affected by a number of key factors specific to our Group, which mainly include:

Market Demand Driven by Product and Policy Dynamics

Our ability to offer a competitive and diverse product portfolio is crucial for our business performance. We have a comprehensive product portfolio encompassing high-quality intelligent agricultural machinery, primarily comprising (i) tractors; (ii) harvesting machines; and (iii) agricultural implements. We offer a wide selection of intelligent agricultural machinery featuring different power configurations and technology applications to meet their precise needs under different operational scenarios. As of December 31, 2024, we offered 7,487 SKUs of high-quality agricultural machinery products. See "Business — Our Products and Smart Agriculture Solutions — Agricultural Machinery." Benefiting from our diverse product portfolio, comprehensive research and development systems and advanced production capabilities, we have maintained our position at the forefront of industry. According to Frost & Sullivan, in particular: we are an industry leader in China in terms of revenue in 2024, ranking No. 1 in the agricultural machinery industry, with a market share of 21.2%, and ranking No. 1 in the intelligent agricultural machinery industry, with a market share of 45.1%.

Our revenue and profitability depend on our ability to continuously expand and optimize our product portfolio in response to the changes in market demand. Particularly, the market demand for our agricultural machinery is affected by government policies and initiatives. For example, according to the relevant laws and regulations, the diesel engines installed in any non-road mobile machinery with a power below 560kW must comply with the National IV Emission Standards from December 1, 2022. In response to the changes in government standards, we have actively introduced products that meet the new national standards. Our revenue from the sales of agricultural machinery decreased from RMB15,738.1 million in 2022 to RMB14,502.9 million in 2023. Such a decrease in revenue was primarily due to the decrease in sales volume of our tractors and harvesting machines, mainly as a result of lower customer demand on National IV Emission Standards products at the early stage of the change in government standards in 2023. Our revenue from the sales of agricultural machinery increased from RMB14,502.9 million in 2023 to RMB17,183.3 million in 2024. Such an increase was primarily due to the increase in sales volume of our tractors and harvesting machines, mainly as a result of the increased market demand for our National IV Emission Standards products along with the increasing market acceptance on the change in government standards. See "— Year-to-year Comparison of Results of Operations — Year ended December 31, 2024 Compared with Year ended December 31, 2023 — Revenue." Our revenue growth depends on our ability to adapt market changes, as well as user acceptance of our new products.

Our Research and Development Capabilities

We believe that research and development is critical to our long-term competitiveness and success. Supported by our comprehensive R&D system, we integrate insights from top talents and international expertise to pioneer advancements in our Smart Agriculture ecosystem. As of December 31, 2024, we had over 2,500 personnel across our R&D system, among which approximately 33.5% possess a master's degree or above. We have made and will continue to make investment in research and development to solidify our market presence. We had research and development costs of RMB570.6 million, RMB676.9 million and RMB838.6 million in 2022, 2023 and 2024, respectively, accounting for 3.6%, 4.6% and 4.8% of our total revenue in the same respective years. We believe our ability to develop new products and improve existing products, though the adoption of new technology, is critical to our ability to maintain and increase our sales volume and profitability. We expect our capability to choose the optimal direction for research and development with great potential to address evolving market demand would significantly affect our cost management and operational efficiency.

Our Sales Network

We have built an extensive sales network, comprising distributorship and direct sales, to reach a wide range of consumers, enhancing our brand reputation and solidifying our competitive advantages. Our distribution partners play an important role in expanding our geographic footprints and driving sales of our products. In each year of the Track Record Period, our revenue from distribution channels accounted for more than 98.0% of our total revenue. Our strong and stable relationships with our distribution partners guarantee a stable revenue stream. We have established both national and international sales and distribution networks, allowing us to provide products and solutions in over 120 countries and regions. See "Business — Sales, Marketing and Customer Service — Our Sales and Distribution Network." Meanwhile, we have business partnerships with direct sale customers, mainly including large-scale agricultural enterprises. We believe that such business partnerships are beneficial for strengthening and market leadership and enable us to better serve large-scale customers. Going forward, we expect to continuously expand and cultivate our sales network to effectively reach a diverse customer base and adapt to varying market demand.

Production Capabilities and Procurement Management

We are dedicated to producing quality products leveraging our advanced production capabilities and procurement management. As of December 31, 2024, we had six production bases of agricultural machinery and related components with nine production lines. Our supply efficiency and product quality depend mainly on our abilities to (i) effectively expand production capacity and enhance production flexibility to promptly respond to market demand; and (ii) continuously improve technologies and optimize production processes. Witnessing the increasing market demand for high-end high-horsepower tractors driven by national policy initiatives, we have constructed production base for high-horsepower tractors to expand our production capacity for such products. In addition, to facilitate our long-term business development in this growing market and to sustain our market standing, we plan to further expand our capacity by constructing a new production plant. While these initiatives involve certain expenses and expenditures in the short term, they are expected to drive the growth of our revenue and gross profit margin in the long run.

In addition, effective procurement management is crucial for us to control our cost of sales and ensure the consistent high quality of our products. We had material costs of RMB12,531.6 million, RMB11,580.7 million and RMB13,758.3 million in 2022, 2023 and 2024, respectively, representing 89.2%, 91.0% and 91.2% of our total cost of sales in the same respective years. We have established stable relationships with our suppliers to secure a stable and quality supply of raw materials amid the fluctuations in raw material prices. For example, we include clauses in supply contracts to link prices of parts and components with raw material price at the time of purchase, locking in prices in advance. See "Business — Procurement, Inventory Management and Logistics — Procurement." Our capability in procuring cost-effective materials is crucial for our overall cost management and sustainable growth.

Seasonality

Due to the seasonality of agricultural production activities, our results of operations are subject to seasonality. For example, we generally experience higher sales revenue from our harvesting machines two months before the harvesting season, typically in the second and third quarters of the year, with the minimum sales revenue experienced in the fourth quarter of each year. Therefore, we generally have relatively high volume of inventories, especially finished goods by the beginning and end of year. Accordingly, our results of operations fluctuate over the year, and our interim results may not be indicative of our annual results.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operational results. Our management continually evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events that are deemed to be reasonable under the circumstances. There has not been any material deviation from our management's estimates or assumptions and actual results. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Our material accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in Notes 2.3 and 3 of the Accountants' Report in Appendix I to this document.

Material Accounting Policies

Revenue and Other Income

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

Sale of Products

We generate revenue from the sale of products, including agricultural machinery and other related products, which is recognized at the point in time when control of the asset is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods.

Domestic Sales Business: Our agricultural machinery businesses primarily adopt a distribution model for whole-unit sales. Revenue is recognized when dealers report actual sales in the system and obtain control of the relevant goods. For the agricultural machinery business, a direct sales model is used for certain government procurement projects. Our other domestic sales business revenue is recognized upon delivery of goods to dealers and control of the goods is transferred to the dealers.

Export Business: We recognize revenue under the following terms: FOB (Free On Board), CFR (Cost and Freight) and CIF (Cost, Insurance and Freight): Revenue is recognized when goods are cleared for export, loaded onto the vessel, and control is transferred to the buyer. Ex Works (EXW): Revenue is recognized upon completion of delivery procedures to the customer or their designated carrier, when control of the goods is transferred.

Some contracts for the sale of products provide customers with rights of return and volume rebates, giving rise to variable consideration.

Rights of Return: For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which we will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognized. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognized for the right to recover products from a customer.

Volume Rebates: Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognized.

Provision of Agricultural and Transportation Services

Revenue from the provision of agricultural and transportation services is recognized over time, using an input method to measure progress towards complete satisfaction of the service, because our performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognizes revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the agricultural and transportation services.

Revenue from Other Sources

Rental income is recognized on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognized as income in the accounting period in which they are incurred.

Other Income

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

See Note 2.3 of the Accountants' Report in Appendix I to this document.

Contract Liabilities

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before we transfer the related goods or services. Contract liabilities are recognized as revenue when we perform under the contract, such as transferring control of the related goods or services to the customer.

Property, Plant, Equipment and Depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized 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, we recognize such parts as individual assets with specific useful lives and depreciates them accordingly. Depreciation is calculated on the straight-line basis or double declining balance 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	2.38 to 20.00%
Motor vehicles	9.50 to 10.00%
Electronic and office equipment	19.00 to 25.00%
Machinery and others	6.33 to 20.00%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end. An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statement of profit or loss in the year the asset is derecognized 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.

Leases

We assess 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. We apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. We recognize lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use Assets

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as set out in Note 2.3 of the Accountants' Report in Appendix I to this document. If ownership of the leased asset transfers to us by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

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 our Group and payments of penalties for termination of a lease, if the lease term reflects our 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, we use our 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.

Short-term Leases and Leases of Low-value Assets

We apply the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Impairment of Non-financial Assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment properties and non-current 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 recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Investments and Other Financial Assets

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Subsequent Measurement

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

Financial Assets at Amortized Cost (Debt Instruments): Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the statement of profit or loss when the asset is derecognized, modified or impaired.

Financial Assets Designated at Fair Value through Other Comprehensive Income (Equity Investments): Upon initial recognition, we 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.

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 recognized in the statement of profit or loss.

See Note 2.3 of the Accountants' Report in Appendix I to this document.

Fair Value Measurement

We measure our equity investments 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 us. 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.

We use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the Historical Financial Information on a recurring basis, we determine whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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 amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Software is stated at cost less any impairment losses and its amortized on the straight-line basis over its estimated useful life of 3 to 10 years, which is the license period of the software.

Income Tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which we operate.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except (i) 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 (ii) 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. Deferred tax assets are recognized for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except (i) 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 (ii) in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Our Group is subject to income tax on an entity basis on profits arising in or derived from the country in which members of our Group are domiciled and operate. Our Company was recognized as a High-Tech Enterprise under relevant regulations in December 2021, thereby qualifying for a preferential corporate income tax rate of 15% during the Relevant Period. One of our Group's Chinese subsidiaries was recognized as a High-Tech Enterprise under relevant regulations in December 2020 and November 2023, thereby qualifying for a preferential corporate income tax rate of 15% during the relevant period. The validity periods of these qualifications are three years since the date of certificate issuance, which are subject to evaluation and certification by the relevant government authorities upon expiration. Certain of our Group's PRC subsidiaries are qualified as small and micro enterprises and were entitled to preferential corporate income tax rates of 2.5% to 10% during the years ended 2022 and 5% during the year ended December 31, 2023 and 2024, respectively.

Other than the forementioned tax incentives, domestic subsidiaries not qualifying for preferential treatment are subject to the statutory corporate income tax rate of 25%.

See Notes 2.3 and 11 of the Accountants' Report in Appendix I to this document.

Significant Accounting Judgments and Estimates

The preparation of our Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and our accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

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.

Judgements

In the process of applying our accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in the Historical Financial Information.

Business Model

The classification of financial assets at initial recognition depends on the business model of our management of financial assets. In making judgements on the business model, we consider corporate appraisal, methods of reporting the results of financial assets to key management members, risks affecting the results of financial assets and its management, as well as the methods of remunerating relevant business managers and so forth. In assessing whether the objective is to collect contractual cash flows, we need to analyse and make judgements on the reasons for disposing of the financial assets before maturity, time, frequency and value of the financial assets and so forth.

Deferred Tax Assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. See Note 3 of the Accountants' Report in Appendix I to this document. The subsidiaries have neither any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, our Group has determined that it cannot recognize deferred tax assets on the tax losses carried forward. If we had been able to recognize all unrecognized deferred tax assets, the equity would have increased by RMB364,000 at December 31, 2024. Further details on deferred taxes are disclosed in Note 30 of the Accountants' Report in Appendix I to this document.

Estimation Uncertainty

Provision for Expected Credit Losses on Financial Instruments

We use a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns, such as by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance.

The provision matrix is initially based on our historical observed default rates. We will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions, such as gross domestic product, are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

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. Our historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future.

Inventory Impairment

We, in accordance with our inventory accounting policies, measure inventory at the lower of cost and net realizable value and recognizes inventory write-down provisions for inventories where cost exceeds net realizable value. We re-evaluate, at each balance sheet date, whether inventories are obsolete or slow-moving and whether their net realizable value remains below cost.

Warranty

We generally provide product warranty for certain key components to our customers to address any quality defects of our products, see "Business — Sales, Marketing and Customer Service —User Engagement and After-sales Services — After-sales Services." We reasonably estimates warranty rates for different products based on historical warranty data, current warranty policies and all relevant factors. The estimated warranty rates may differ from actual warranty rates in the future. We reassess these rates at each reporting date and adjusts the provision for warranties based on the updated estimates.

Certain warranties provided by our Group are eligible for reimbursement from our suppliers based on our contracts with them. When such supplier reimbursement is virtually certain, we record a corresponding reversal of provision for warranties. Such reversal is presented in the statement of profit or loss.

In previous years, we were unable to accurately estimate the supplier reimbursement amount to offset against our additional provision for warranties due to the insufficient information available at the time of warranty provision assessment. Therefore, as a prudent measure, we did not estimate or recognize the supplier reimbursement amount at the time of warranty provision assessment and did not offset the corresponding amount against the additional provision for warranties.

In December 2023, we implemented an enterprise resource planning (ERP) system integration, which enabled us to obtain the relevant information required for the estimation of supplier reimbursement amount. Therefore, we are able to estimate the supplier reimbursement amount at the time of warranty provision assessment, and offset the corresponding amount against the additional provision for warranties. Since 2024, we evaluate the supplier reimbursement amount, and offset the corresponding amount against the additional provision for warranties. This accounting treatment has reduced our costs of sales, and thereby increased our profit by RMB160,519,000 in 2024.

Variable Consideration for Returns and Volume Rebates

We estimate variable consideration to be included in the transaction price for the sale of industrial products with rights of return and volume rebates. We have developed a statistical model for forecasting sales returns. The model used the historical return data of each product to estimate expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by us.

Our expected volume rebates are analyzed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer is likely to be entitled to a rebate depends on the customer's historical rebate entitlement and accumulated purchases to date. We have applied a statistical model for estimating expected volume rebates for contracts with more than one volume threshold. The model uses the historical purchasing patterns and rebate entitlement of customers to determine the expected rebate percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by us.

We update our assessment of expected returns and volume rebates quarterly and the refund liabilities are adjusted accordingly. Estimates of expected returns and volume rebates are sensitive to changes in circumstances and our past experience regarding returns and rebate entitlements may not be representative of customers' actual returns and rebate entitlements in the future.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets forth a summary of our results of operations for the years indicated:

	Year ended December 31,		
	2022	2023	2024
	(RMB in thousands)		
Continuing operations			
Revenue	15,950,044	14,676,348	17,393,038
Cost of sales	(14,037,870)	(12,737,176)	(15,090,784)
Gross profit	1,912,174	1,939,172	2,302,254
Other income and gains	267,501	310,270	349,261
Selling and marketing expenses	(301,245)	(327,706)	(417,792)
Administrative expenses	(399,128)	(330,737)	(353,621)
Research and development costs	(570,566)	(676,878)	(838,557)
Reversal of impairment of financial assets	9,532	31,827	17,441
Other expenses	(19,796)	(2,196)	(21,045)
Finance costs	(3,104)	(1,908)	(1,806)
Share of losses/(profits) of associates	(20,472)	(8,769)	179
Profit before tax from continuing operations	874,896	933,075	1,036,314
Income tax expense	(63,480)	(61,803)	(79,452)
Profit for the year from continuing operations	811,416	871,272	956,862
Discontinued operations			
Loss for the year from discontinued operations	(39,355)	–	–
Profit for the year	772,061	871,272	956,862
Profit for the year attributable to:			
Owners of the parent	767,932	871,165	956,409
Non-controlling interests	4,129	107	453
	772,061	871,272	956,862

Non-IFRS Measures

To supplement our consolidated financial statements which are presented in accordance with IFRS Accounting Standards, we also use EBITDA/adjusted EBITDA (*non-IFRS measure*) and adjusted net profit (*non-IFRS measure*) as additional financial measures, which are not required by or presented in accordance with IFRS Accounting Standards. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company. We believe that these non-IFRS measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of EBITDA/adjusted EBITDA (*non-IFRS measure*) and adjusted net profit (*non-IFRS measure*) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRS Accounting Standards.

We define EBITDA (*non-IFRS measure*) as net profit for the year adjusted by adding (i) income tax expense; (ii) finance costs; and (iii) depreciation and amortization, and subtracting interest income. We add back [**REDACTED**] expenses to EBITDA (*non-IFRS measure*) to derive adjusted EBITDA (*non-IFRS measure*). The following table reconciles EBITDA (*non-IFRS measure*) and adjusted EBITDA (*non-IFRS measure*) to our net profit for the year presented in accordance with IFRS Accounting Standards for the years indicated:

	Year ended December 31,		
	2022	2023	2024
	(RMB in thousands)		
Reconciliation of profit for the year to EBITDA *(non-IFRS measure)* and adjusted EBITDA *(non-IFRS measure)*			
Profit for the year	772,061	871,272	956,862
Add:			
– Income tax expense	63,480	61,803	79,452
– Finance costs	3,104	1,908	1,806
– Depreciation and amortization	161,758	185,341	212,970
Less: Interest income	(161,745)	(133,968)	(129,450)
EBITDA *(non-IFRS measure)*	838,658	986,356	1,121,640
Add:			
– [**REDACTED**] expenses[1]	–	–	19,520
Adjusted EBITDA *(non-IFRS measure)*	838,658	986,356	1,141,160

We define adjusted net profit (*non-IFRS measure*) as net profit for the year adjusted by adding back [**REDACTED**] expenses. The following table reconciles our adjusted net profit (*non-IFRS measure*) to our net profit for the year presented in accordance with IFRS Accounting Standards for the years indicated:

	Year ended December 31,		
	2022	2023	2024
	(RMB in thousands)		
Reconciliation of net profit to adjusted net profit *(non-IFRS measure)*			
Profit for the year	772,061	871,272	956,862
Add:			
– [**REDACTED**] expenses[1]	–	–	19,520
Adjusted net profit for the year *(non-IFRS measure)*	772,061	871,272	976,382

Note:

(1) Related to our Previous ChiNext Application. See "History, Development and Corporate Structure — Previous ChiNext Application and Application for [**REDACTED**] on the Hong Kong Stock Exchange."

Revenue

Our revenue was RMB15,950.0 million, RMB14,676.3 million and RMB17,393.0 million in 2022, 2023 and 2024, respectively.

Revenue by Product Category

During the Track Record Period, we mainly generated revenue from (i) the sales of agricultural machinery, including tractors, harvesting machines and agricultural implements and others. See "Business — Our Products and Smart Agriculture Solutions — Agricultural Machinery;" and (ii) others, mainly including agricultural services and the sales of parts and components to Weichai Power for engine manufacturing. Our revenue from tractors was RMB7,943.7 million, RMB7,775.4 million and RMB9,057.4 million of revenue in 2022, 2023 and 2024, respectively, accounting for 49.8%, 52.9% and 52.1% of our total revenue in the same respective years.

The following table sets forth a breakdown of our revenue by product category in absolute amount and as a percentage of our total revenue for the years indicated:

	Year ended December 31,					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)					
Sales of agricultural machinery	15,738,128	98.7	14,502,922	98.8	17,183,315	98.8
– Tractors	7,943,740	49.8	7,775,397	52.9	9,057,350	52.1
– Harvesting machines	7,254,780	45.5	6,144,335	41.9	7,092,236	40.8
– Agricultural implements and others	539,608	3.4	583,190	4.0	1,033,729	5.9
Others[1]	211,916	1.3	173,426	1.2	209,723	1.2
Total	**15,950,044**	**100.0**	**14,676,348**	**100.0**	**17,393,038**	**100.0**

Note:

(1) Mainly including revenue generated from sales of parts and components to Weichai Power Group for engine manufacturing.

The following table sets forth our revenue, sales volume and ASP of our major agricultural machinery for the years indicated:

	Year ended December 31,								
	2022			2023			2024		
	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP
	(RMB in thousands)	*(unit)*	*(RMB/unit)*	*(RMB in thousands)*	*(unit)*	*(RMB/unit)*	*(RMB in thousands)*	*(unit)*	*(RMB/unit)*
Tractors	7,943,740	90,019	88,245	7,775,397	80,591	96,480	9,057,350	84,455	107,245
Harvesting machinery	7,254,780	49,688	146,007	6,144,335	34,324	179,010	7,092,236	39,851	177,969

Note:

(1) The ASP is calculated by dividing the revenue by the sales volume in the indicated period.

Revenue by Geographic Region

During the Track Record Period, we generated revenue from China and overseas markets. Our revenue from China was RMB15,001.1 million, RMB13,419.1 million and RMB15,668.0 million in 2022, 2023 and 2024, respectively, accounting for 94.1%, 91.4% and 90.1% of our total revenue in the same respective periods. During the Track Record Period, our revenue from overseas increased by 32.5% from RMB949.0 million in 2022 to RMB1,257.2 million in 2023, and further increased by 37.2% to RMB1,725.0 million in 2024, along with the gradual implementation of our global strategy and the expansion of our global footprint.

The following table sets forth a breakdown of our revenue by geographic region in absolute amount and as a percentage of our total revenue for the years indicated:

	Year ended December 31,					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)					
China	15,001,050	94.1	13,419,145	91.4	15,668,005	90.1
Overseas[(1)]	948,994	5.9	1,257,203	8.6	1,725,033	9.9
Total	**15,950,044**	**100.0**	**14,676,348**	**100.0**	**17,393,038**	**100.0**

Note:

(1) Mainly including Asia (excluding China), Europe, the Americas, Africa and Oceania.

Revenue by Sales Channel

During the Track Record Period, we sold our products through direct sales and distribution partners. In each year of the Track Record Period, our revenue from distribution channels accounted for more than 98.0% of our total revenue.

Cost of Sales

During the Track Record Period, our cost of sales primarily consisted of (i) material costs, mainly representing costs for purchasing engines, drive axles, transmission, vehicle housing, radiators and tires; (ii) manufacturing expenses, mainly representing fuel and power costs, transportation expenses, depreciation and amortization expenses and maintenance expenses; (iii) direct labor costs, mainly representing payroll and benefits provided to the workers directly involved in production; (iv) additional provision for warranties, mainly representing our provision recognized for product warranty; and (v) others, mainly representing cost of sales of parts and components to Weichai Power for engine manufacturing. Our raw material costs were RMB12,531.6 million, RMB11,580.7 million and RMB13,758.3 million in 2022, 2023 and 2024, respectively, representing 89.2%, 91.0% and 91.2% of our total cost of sales in the same respective years.

The following table sets forth a breakdown of our cost of sales by nature in absolute amounts and as a percentage of our total cost of sales for the years indicated:

	Year ended December 31,					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)					
Material costs	12,531,610	89.2	11,580,699	91.0	13,758,277	91.2
Manufacturing expenses	598,932	4.3	490,160	3.8	743,666	4.9
Direct labor costs	485,442	3.5	399,549	3.1	450,245	3.0
Additional provision for warranties	266,034	1.9	166,871	1.3	(3,206)	(0.0)
Others	155,852	1.1	99,896	0.8	141,802	0.9
Total	**14,037,870**	**100.0**	**12,737,176**	**100.0**	**15,090,784**	**100.0**

Gross Profit and Gross Profit Margin

Our gross profit amounted to RMB1,912.2 million, RMB1,939.2 million and RMB2,302.3 million in 2022, 2023 and 2024, respectively. Our gross profit margin was 12.0%, 13.2% and 13.2% in 2022, 2023 and 2024, respectively.

The following table sets forth a breakdown of our gross profit and gross profit margin by product category for the years indicated:

	Year ended December 31,					
	2022		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
		%		%		%
	(RMB in thousands, except for percentages)					
Sales of agricultural machinery	1,884,156	12.0	1,893,827	13.1	2,270,632	13.2
– Tractors	1,086,136	13.7	1,098,138	14.1	1,286,471	14.2
– Harvesting machines	735,367	10.1	713,331	11.6	827,493	11.7
– Agricultural implements and others	62,653	11.6	82,358	14.1	156,668	15.2
Others[(1)]	28,018	13.2	45,345	26.1	31,623	15.1
Total	**1,912,174**	**12.0**	**1,939,172**	**13.2**	**2,302,254**	**13.2**

Note:

(1) Mainly including revenue generated from the sales of parts and components to Weichai Power Group for engine manufacturing.

Other Income and Gains

Our other income and gains were RMB267.5 million, RMB310.3 million and RMB349.3 million in 2022, 2023 and 2024, respectively. During the Track Record Period, our other income primarily consisted of (i) interest income, mainly related to our bank deposits; (ii) government grants, mainly representing incentives granted by local government to support our operational activities, which were recognized in profit or loss from deferred income. See "— Discussion of Selected Items from the Consolidated Statements of Financial Position — Deferred Income;" (iii) additional tax deduction, mainly representing the additional VAT deduction pursuant to announcement of the State Administration of Taxation in 2023; and (iv) interest income from financial assets at fair value through profit or loss, mainly related to our structured deposits.

During the Track Record Period, our other gains primarily consisted of (i) net foreign exchange gains, mainly related to exchange rate fluctuation; (ii) fair value gain on financial assets designated as at fair value through profit or loss, mainly related to the change in fair value of our wealth management products; (iii) gain on derecognition of financial assets measured at amortized cost, mainly represented the interest income generated from our recovery of certain receivables; (iv) gain on disposal of items of property, plant and equipment; (v) gain on disposal of investment properties; (vi) loss on disposal of a subsidiary, mainly related to the disposal of Huiyin Jintong; (vii) gain on disposal of an associate; and (viii) gain on deemed disposal, mainly related to the dilution of our equity in associate. See "— Discussion of Selected Items from the Consolidated Statements of Financial Position — Investments in Associates."

The following table sets forth a breakdown of our other income and gains for the years indicated:

	Year ended December 31,		
	2022	2023	2024
	Amount	Amount	Amount
	(RMB in thousands)		
Other income			
Interest income	161,745	133,968	129,450
Government grants	48,796	51,405	120,763
Additional tax deduction	–	67,378	52,107
Interest income from financial assets at fair value through profit or loss	20,832	8,082	26,334
Total other income	231,373	260,833	328,654
Other gains			
Foreign exchange gains, net	11,616	9,120	13,702
Fair value gain on financial assets designated as at fair value through profit or loss	–	250	1,818
Gain on derecognition of financial assets measured at amortized cost	12,344	–	–

	Year ended December 31,		
	2022	2023	2024
	Amount	Amount	Amount
	(RMB in thousands)		
Gain on disposal of items of property, plant and equipment	673	4,065	1,023
Gain on disposal of investment properties	–	12,497	–
Loss on disposal of a subsidiary	(12,102)	–	–
Gain on disposal of an associate	19,229	–	–
Gain on deemed disposal	–	18,618	–
Others	4,368	4,887	4,064
Total gains	36,128	49,437	20,607
Total other income and gains	**267,501**	**310,270**	**349,261**

Selling and Marketing Expenses

Our selling and marketing expenses were RMB301.2 million, RMB327.7 million and RMB417.8 million in 2022, 2023 and 2024, respectively. During the Track Record Period, our selling and marketing expenses primarily consisted of (i) employee benefits expenses, mainly representing salaries, bonuses and other benefits relating to our sales staff; (ii) travelling expenses; (iii) office expenses; (iv) promotional fees for our marketing and promotional activities; and (v) consumables, mainly representing the amortization expenses of low-value consumables.

The following table sets forth a breakdown of our selling and marketing expenses in absolute amounts and as a percentage of our total selling and marketing expenses for the years indicated:

	Years ended December 31,					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)					
Employee benefit expenses	170,354	56.5	163,596	49.9	188,867	45.2
Travelling expenses	49,889	16.6	62,287	19.0	74,922	17.9
Office expenses	21,704	7.2	34,939	10.7	55,635	13.3
Promotional fees	20,101	6.7	22,404	6.8	46,755	11.2
Consumables	20,241	6.7	14,076	4.3	19,891	4.8
Others[1]	18,956	6.3	30,404	9.3	31,722	7.6
Total	**301,245**	**100.0**	**327,706**	**100.0**	**417,792**	**100.0**

Note:

(1) Mainly including consulting fees, depreciation and amortization and entertainment fees.

Administrative Expenses

Our administrative expenses were RMB399.1 million, RMB330.7 million and RMB353.6 million in 2022, 2023 and 2024, respectively. During the Track Record Period, our administrative expenses primarily consisted of (i) employee benefits expenses, mainly representing salaries, bonuses and other benefits relating to our administrative staff; (ii) depreciation and amortization, mainly representing the depreciation of property, plant and equipment and amortization of intangible assets and right-of-use assets related to administration; (iii) tax and surcharges, mainly representing stamp duty, property tax and urban construction tax; (iv) professional services fees, mainly related to legal consulting, auditing and evaluation services; (v) [**REDACTED**] expenses, mainly related to our Previous ChiNext Application. See "History, Development and Corporate Structure — Previous ChiNext Application and Application for [**REDACTED**] on the Hong Kong Stock Exchange;" (vi) office expenses; and (vii) maintenance expenses, mainly relating to the maintenance of our office buildings, equipment and vehicles.

The following table sets forth a breakdown of our administrative expenses in absolute amount and as a percentage of our total administrative expenses for the years indicated:

	Years ended December 31,					
	2022		**2023**		**2024**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
	(RMB in thousands, except for percentages)					
Employee benefits expenses	216,871	54.3	156,345	47.3	182,086	51.5
Depreciation and amortization	35,814	9.0	53,345	16.1	39,038	11.0
Tax and surcharges	27,786	7.0	30,088	9.1	29,567	8.4
Professional service fees	56,829	14.2	27,543	8.3	26,897	7.6
[**REDACTED**] expenses	–	–	–	–	19,520	5.5
Office expenses	20,026	5.0	18,359	5.6	15,803	4.5
Maintenance expenses	14,288	3.6	15,134	4.6	10,037	2.8
Others[1]	27,515	6.9	29,923	9.0	30,673	8.7
Total	**399,128**	**100.0**	**330,737**	**100.0**	**353,621**	**100.0**

Note:

(1) Mainly including short-term leasing expenses, traveling expenses and business development expenses.

Research and Development Costs

Our research and development costs amounted to RMB570.6 million, RMB676.9 million and RMB838.6 million in 2022, 2023 and 2024, respectively. During the Track Record Period, our research and development costs primarily consisted of (i) employee benefit expenses, mainly representing salaries, bonuses and other benefits relating to our research and development staff; (ii) material fees, mainly representing the costs of materials directly used for research and development; (iii) technology development fees, mainly related to our expenses in research and development collaboration; (iv) depreciation and amortization, mainly representing the depreciation of property, plant and equipment and amortization of intangible assets and right-of-use assets related to research and development; (v) travelling expenses; and (vi) professional service fees, mainly representing consulting fees for external experts in research and development process.

The following table sets forth a breakdown of our research and development costs in absolute amount and as a percentage of our total research and development costs for the years indicated:

	Years ended December 31,					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)					
Employee benefits expenses	294,613	51.6	362,138	53.5	468,361	55.9
Material fees	169,296	29.7	146,269	21.6	132,789	15.8
Technology development fees	25,716	4.5	31,675	4.7	46,965	5.6
Depreciation and amortization	12,961	2.3	21,418	3.2	40,005	4.8
Travelling expenses	12,635	2.2	26,559	3.9	32,686	3.9
Professional service fees	15,899	2.8	23,836	3.5	21,121	2.5
Others[(1)]	39,446	6.9	64,983	9.6	96,630	11.5
Total	**570,566**	**100.0**	**676,878**	**100.0**	**838,557**	**100.0**

Note:

(1) Mainly including transportation fees and rental fees.

Reversal of Impairment of Financial Assets

We recorded reversal of impairment of financial assets based on the expected credit losses of our trade and other receivables in accordance with relevant accounting policies. See Note 22 of the Accountants' Report in Appendix I to this document. We recorded reversal of impairment of financial assets of RMB9.5 million, RMB31.8 million and RMB17.4 million in 2022, 2023 and 2024, respectively.

Other Expenses

Our other expenses primarily consisted of litigation compensation incurred during our business operations. We had other expenses of RMB19.8 million, RMB2.2 million and RMB21.0 million in 2022, 2023 and 2024, respectively.

Finance Costs

Our finance costs primarily consisted of (i) interest on bank borrowings; and (ii) interest on lease liabilities. We had finance costs of RMB3.1 million, RMB1.9 million and RMB1.8 million in 2022, 2023 and 2024, respectively.

Share of Losses/(Profits) of Associates

Our share of losses or profits of our associates relate to our investments in our associates, including Weichai Intelligent Technology Co., Ltd. and Weichai (Qingdao) Intelligent Heavy Industry Co., Ltd. See "— Discussion of Selected Items from the Consolidated Statements of Financial Position — Investments in Associates." We recorded share of losses of associates of RMB20.5 million and RMB8.8 million in 2022 and 2023, respectively, and share of profits of associates of RMB0.2 million in 2024. See Note 19 of the Accountants' Report in Appendix I to this document.

Income Tax Expense

Our income tax expense mainly represents the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and unused tax losses. Our income tax expenses were RMB63.5 million, RMB61.8 million and RMB79.5 million in 2022, 2023 and 2024, respectively.

Pursuant to the Enterprise Income Tax ("EIT") Law of the PRC (the "EIT Law"), our operations in the PRC are subject to EIT at a rate of 25% unless otherwise specified. During the Track Record Period, our Company and one of our PRC subsidiaries were recognized as High-Tech Enterprise under relevant regulations, thereby qualifying for a preferential corporate income tax rate of 15% during the Track Record Period. The validity period of this qualification is three years since the date of certificate issuance. The qualification is subject to evaluation and certification by the relevant government authorities upon expiration. In addition, certain of our PRC subsidiaries are qualified as small and micro enterprises and were entitled to preferential corporate income tax rates of 2.5% to 10% in 2022 and 5% in 2023 and 2024, respectively. Under the PRC EIT Law and its relevant regulations, a 100% additional tax deduction is allowed for qualified research and development expenses from January 1, 2021 to December 31, 2023. See Note 18 of the Accountants' Report in Appendix I to this document.

During the Track Record Period and up to the Latest Practicable Date, we had made all the required tax filings with the relevant tax authorities in the PRC, and we were not aware of any outstanding or potential disputes with such tax authorities.

Profit for the Year from Continuing Operations

As a result of the foregoing, we recorded profit for the year from continuing operations of RMB811.4 million, RMB871.3 million and RMB956.9 million in 2022, 2023 and 2024, respectively.

Discontinued Operations

On July 13, 2022, our Company's shareholders' meeting resolved to approve a spin-off reorganization. Our Company spin-off the vehicle business related assets and liabilities of the Wuxing Vehicle Factory to Wuxing Vehicle. Therefore, the results of operations of the Wuxing Vehicle Factory are presented as discontinued operations for the year ended December 31, 2022. For further details on the spin-off of Wuxing Vehicle Factory, see "History, Development and Corporate Structure — Major Acquisitions, Disposals and Mergers" and Note 12 of the Accountants' Report in Appendix I to this document.

The results of discontinued operations are accounted for as a separate line item as "loss for the year from discontinued operations" in our consolidated statements of profit or loss.

YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS

Year ended December 31, 2024 Compared with Year ended December 31, 2023

Revenue

Our revenue increased by 18.5% from RMB14,676.3 million in 2023 to RMB17,393.0 million in 2024, primarily due to an increase in revenue from the sales of agricultural machinery from RMB14,502.9 million in 2023 to RMB17,183.3 million in 2024. Our increase in revenue from the sales of agricultural machinery was primarily due to (i) an increase in revenue from the sales of tractors; (ii) an increase in revenue from the sales of harvesting machines; and (iii) an increase in revenue from the sales of agricultural implements and others.

Tractors. Our revenue from the sales of tractors increased from RMB7,775.4 million in 2023 to RMB9,057.4 million in 2024, primarily due to (i) an increase in sales volume of tractors from 80,591 units in 2023 to 84,455 units in 2024, mainly as a result of the increased market demand for our National IV Emission Standards products along with the increasing market acceptance on the change in government standards; and (ii) an increase in ASP of tractors from RMB96.5 thousands in 2023 to RMB107.2 thousands in 2024, mainly as a result of an increase in sales volume of high-end power shift tractors, driven by (a) the national policy initiatives to promote the use of large-scale and intelligent tractors, and (b) our continuous efforts to upgrade and optimize our product portfolio.

Harvesting machines. Our revenue from the sales of harvesting machines increased from RMB6,144.3 million in 2023 to RMB7,092.2 million in 2024, primarily due to an increase in sales volume of harvesting machines from 34,324 units in 2023 to 39,851 units in 2024, mainly as a result of the increased market demand for our National IV Emission Standards products along with the increasing market acceptance on the change in government standards.

Agricultural implements and others. Our revenue from the sales of agricultural implements and others increased from RMB583.2 million in 2023 to RMB1,033.7 million in 2024, primarily due to an increase in revenue from the sales of parts and components related to our agricultural machinery, along with the increase in sales volume of tractors and harvesting machines.

Cost of Sales

Our cost of sales increased by 18.5% from RMB12,737.2 million in 2023 to RMB15,090.8 million in 2024, which was generally in line with our increase in revenue, primarily due to the increase in sales volume and ASP of our agricultural machinery. Such an increase was partially offset by a decrease in additional provision for warranties, primarily due to our change in accounting treatment, see "— Critical Accounting Policies and Estimates — Significant Accounting Judgments and Estimates — Estimation Uncertainty — Warranty."

Gross Profit and Gross Profit Margin

Our gross profit increased by 18.7% from RMB1,939.2 million in 2023 to RMB2,302.3 million in 2024, which was generally in line with our increase in revenue. Our gross profit margin remained relatively stable at 13.2% in 2023 and 2024, respectively.

Other Income and Gains

Our other income and gains increased by 12.6% from RMB310.3 million in 2023 to RMB349.3 million in 2024, primarily due to an increase in research and development activities and the gradual implementation of our global strategy, resulting in an increase in recognition of government grants in profit or loss from deferred income. See "— Discussion of Selected Items from the Consolidated Statements of Financial Position — Deferred Income."

Selling and Marketing Expenses

Our selling and marketing expenses increased by 27.5% from RMB327.7 million in 2023 to RMB417.8 million in 2024, primarily due to (i) an increase in employee benefits expenses, mainly as a result of the increase in average salaries and benefits paid to our sales staff; (ii) an increase in promotional fees, mainly as a result of our increasing global sales and marketing efforts through organizing product exhibition in overseas markets, including Brazil and Italy; and (iii) an increase in office expenses, mainly as a result of our increasing efforts to obtain user feedback though telephone interviews to enhance our brand recognitions and user loyalty.

Administrative Expenses

Our administrative expenses increased by 6.9% from RMB330.7 million in 2023 to RMB353.6 million in 2024, primarily because (i) our employee benefits expenses increased, mainly as a result of the increase in benefits paid to certain retired employees under our employee welfare initiatives because of the increase in number of qualified employees; and (ii) we had [**REDACTED**] expense of RMB19.5 million in 2024, which was related to our Previous ChiNext Application in March 2023. See "History, Development and Corporate Structure — Previous ChiNext Application and Application for [**REDACTED**] on the Hong Kong Stock Exchange."

Research and Development Costs

Our research and development expenses increased by 23.9% from RMB676.9 million in 2023 to RMB838.6 million in 2024, primarily due to (i) the expansion of our research and development team to support our increasing research and development activities; and (ii) the increase in depreciation and amortization, mainly as a result of an increase in buildings and equipment for research and development activities.

Reversal of Impairment of Financial Assets

Our reversal of impairment of financial assets decreased by 45.2% from RMB31.8 million in 2023 to RMB17.4 million in 2024, primarily due to the increased recovery of a larger amount of long-aging trade and other receivables in 2023.

Other Expenses

Our other expenses substantially increased significantly from RMB2.2 million in 2023 to RMB21.0 million in 2024, primarily due to the increase in litigation compensation, mainly because we recorded higher provision for litigation compensation in 2024.

Finance Costs

Our finance costs remained relatively stable at RMB1.9 million and RMB1.8 million in 2023 and 2024, respectively.

Share of Losses/(Profits) of Associates

We had share of profits of associates of RMB0.2 million in 2024 compared to share of losses of associates of RMB8.8 million in 2023, primarily due to the increases in net profits of our associates.

Income Tax Expense

Our income tax expense increased by 28.6% from RMB61.8 million in 2023 to RMB79.5 million in 2024, primarily due to an increase in our profit before tax from continuing operations. See Note 11 of the Accountants' Report in Appendix I to this document.

Profit for the Year from Continuing Operations

As a result of the foregoing, our profit for the year from continuing operations increased by 9.8% from RMB871.3 million in 2023 to RMB956.9 million in 2024.

Year ended December 31, 2023 Compared with Year ended December 31, 2022

Revenue

Our revenue decreased by 8.0% from RMB15,950.0 million in 2022 to RMB14,676.3 million in 2023, primarily due to a decrease in revenue from the sales of agricultural machinery from RMB15,738.1 million in 2022 to RMB14,502.9 million in 2023. Our decrease in revenue from the sales of agricultural machinery was primarily due to a decrease in revenue from the sales of harvesting machines.

Tractors. Our revenue from the sales of tractors decreased slightly from RMB7,943.7 million in 2022 to RMB7,775.4 million in 2023, primarily due to the decrease in sales volume of tractors from 90,019 units in 2022 to 80,591 units in 2023, mainly as a result of the change in government standards in 2023, partially offset by (i) an increase in ASP of our tractors from RMB88.2 thousands in 2022 to RMB96.5 thousands in 2023, mainly due to (a) the introduction of National IV Emission Standards products which have higher costs, leading to an increase in ASP correspondingly, and (b) an increase in sales volume of high-end power shift tractors with higher ASP.

Harvesting machines. Our revenue from the sales of harvesting machines decreased from RMB7,254.8 million in 2022 to RMB6,144.3 million in 2023, primarily due to a decrease in sales volume of harvesting machines from 49,688 units in 2022 to 34,324 units in 2023, mainly as a result of lower customer demand on National IV Emission Standards products at the early stage of the change in government standards in 2023. Such a decrease was partially offset by an increase in ASP of harvesting machines from RMB146.0 thousands in 2022 to RMB179.0 thousands in 2023, primarily due to the introduction of National IV Emission Standards products which have higher costs, leading to an increase in ASP correspondingly.

Agricultural implements and others. Our revenue from the sales of agricultural implements and others remained relatively stable at RMB539.6 million and RMB583.2 million in 2022 and 2023, respectively.

Cost of Sales

Our cost of sales decreased by 9.3% from RMB14,037.9 million in 2022 to RMB12,737.2 million in 2023, which was generally in line with our decrease in revenue, primarily due to the decrease in sales volume of our harvesting machines.

Gross Profit and Gross Profit Margin

Our gross profit remained relatively stable at RMB1,912.2 million and RMB1,939.2 million in 2022 and 2023, respectively. Our gross profit margin increased from 12.0% in 2022 to 13.2% in 2023, primarily due to an increase in gross profit margin of harvesting machines from 10.1% in 2022 to 11.6% in 2023 and an increase in gross profit margin of tractors from 13.7% in 2022 to 14.1% in 2023. Our increase in gross profit margin of harvesting machines was primarily due to (i) an increase in sales volume of GM-series harvesting machines which had higher profitability, driven by its growing market recognition, leading to an increase in selling proportion of high-profit GM-series harvesting machines in our product selling structure; and (ii) a strategic increase in selling price of our wheel type harvesting machines, considering their leading performance and strong market recognition.

Other Income and Gains

Our other income and gains increased by 16.0% from RMB267.5 million in 2022 to RMB310.3 million in 2023, primarily because we had additional tax deduction of RMB67.4 million in 2023 compared to nil in 2022, mainly as a result of the introduction of preferential tax treatment in 2023. See Note 5 of the Accountants' Report in Appendix I to this document. Such an increase was partially offset by a decrease in interest income, primarily due to the recovery of our loans to related parties in 2022.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 8.8% from RMB301.2 million in 2022 to RMB327.7 million in 2023, primarily due to the increases in travel expenses and office expenses, mainly as a result of our increasing sales and marketing efforts to promote our products, expand sales channels and provide after-sales services.

Administrative Expenses

Our administrative expenses decreased by 17.1% from RMB399.1 million in 2022 to RMB330.7 million in 2023, primarily due to a decrease in employee benefit expenses, mainly as a result of the decrease in benefits paid to certain retired employees under our employee welfare initiatives as we had a higher number of qualified employees in 2022.

Research and Development Costs

Our research and development costs increased by 18.6% from RMB570.6 million in 2022 to RMB676.9 million in 2023, primarily due to (i) the increase in average salaries and benefits paid to our research and development staff to attract and retain professionals to support our increasing research and development activities; (ii) the increase in depreciation and amortization, mainly as a result of an increase in buildings and equipment for research and development activities; (iii) the increase in travelling expenses, mainly as a result of our increasing research and development activities.

Reversal of Impairment of Financial Assets

Our reversal of impairment of financial assets increased significantly from RMB9.5 million in 2022 to RMB31.8 million in 2023, primarily due to the increased recovery of a larger amount of long-aging trade and other receivables in 2023.

Other Expenses

Our other expenses decreased by 88.9% from RMB19.8 million in 2022 to RMB2.2 million in 2023, primarily due to the decrease in litigation compensation, mainly because we recorded higher provision for litigation compensation in 2022.

Finance Costs

Our finance costs decreased by 38.5% from RMB3.1 million in 2022 to RMB1.9 million in 2023, primarily due to a decrease in interest on bank borrowings, mainly as a result of our repayment of all bank borrowings in 2022.

Share of Losses/(Profits) of Associates

Our share of loss of associates decreased by 57.2% from RMB20.5 million in 2022 to RMB8.8 million in 2023, primarily due to the dilution of our equity in one of our associates.

Income Tax Expense

Our income tax expense remained relatively stable at RMB63.5 million and RMB61.8 million in 2022 and 2023, respectively.

Profit for the Year from Continuing Operations

As a result of the foregoing, our profit for the year from continuing operations increased by 7.4% from RMB811.4 million in 2022 to RMB871.3 million in 2023.

DISCUSSION OF SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	(RMB in thousands)		
Non-current assets			
Property, plant and equipment	1,169,449	1,378,843	1,982,988
Investment properties	5,199	2,188	2,081
Right-of-use assets	272,320	370,811	454,729
Intangible assets	566,675	548,440	545,982
Investments in associates	297,667	307,515	307,695
Equity investments designated at fair value through other comprehensive income	3,765	3,117	3,595
Deferred tax assets	419,221	390,552	344,843
Long-term time deposits	–	–	342,672
Prepayments and other assets	14,780	91,939	–
Total non-current assets	2,749,076	3,093,405	3,984,585
Current assets			
Inventories and other contract costs	2,250,557	3,642,158	2,831,956
Trade and bills receivables	629,783	435,353	544,861
Prepayments, other receivables and other assets	176,639	534,795	1,003,899
Financial assets at fair value through profit or loss ("FVTPL")	–	940,250	1,092,068
Current portion of long-term time deposits	–	–	85,297
Restricted deposits	820,295	973,586	1,688,104
Cash and bank balances	5,889,399	5,451,296	7,951,595
Total current assets	9,766,673	11,977,438	15,197,780
Current liabilities			
Trade and bills payables	6,968,064	8,124,608	12,368,715
Other payables and accruals	1,299,966	1,122,733	1,201,390
Contract liabilities	1,515,341	2,022,496	970,808
Interest-bearing bank borrowings	–	–	22,523
Lease liabilities	7,427	28,007	38,995
Provisions	377,433	400,692	383,600
Tax payable	8,328	21,056	18,968
Total current liabilities	10,176,559	11,719,592	15,004,999
Net current assets	(409,886)	257,846	192,781

	As of December 31,		
	2022	2023	2024
	(RMB in thousands)		
Non-current liabilities			
Deferred income	235,901	363,575	345,255
Lease liabilities	4,829	21,362	21,730
Deferred tax liabilities	246	49	–
Other payables and accruals	20,781	17,797	18,995
Total non-current liabilities	261,757	402,783	385,980
Net assets	2,077,433	2,948,468	3,791,386
Equity			
Equity attributable to owners of the parent			
Paid-in capital	1,145,763	1,145,763	1,145,763
Reserves	924,732	1,795,350	2,637,815
	2,070,495	2,941,113	3,783,578
Non-controlling interests	6,938	7,355	7,808
Total equity	2,077,433	2,948,468	3,791,386

Property, Plant and Equipment

Our property, plant and equipment primarily consisted of (i) buildings, mainly representing our production bases and office buildings; (ii) machinery and others, mainly representing our production equipment and machinery; (iii) electronic and office equipment; (iv) motor vehicles; and (v) construction in progress, mainly representing our construction of Intelligent Tractor Manufacturing Hub.

The following table sets forth a breakdown of our property, plant and equipment as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	(RMB in thousands)		
Buildings	614,702	578,222	551,868
Machinery and others	413,299	476,066	569,802
Electronic and office equipment	24,073	27,348	24,529
Motor vehicles	10,665	9,275	11,272
Construction in progress	106,710	287,932	825,517
Total	**1,169,449**	**1,378,843**	**1,982,988**

Our property, plant and equipment increased by 17.9% from RMB1,169.4 million as of December 31, 2022 to RMB1,378.8 million as of December 31, 2023, and further increased significantly to RMB1,983.0 million in 2024, primarily due to the increase in construction in progress, primarily due to the construction of our Intelligent Tractor Manufacturing Hub during the Track Record Period in response to the introduction of national policy initiatives to promote the use of large-scale and intelligent tractors.

Right-of-Use Assets

Our right-of-use assets primarily consisted of (i) leasehold land; (ii) our lease of (a) buildings, mainly related to office buildings, and (b) motor vehicles, mainly related to our research and development of pure electric tractors. The following table sets forth a breakdown of our right-of-use assets as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
	(RMB in thousands)		
Leasehold land	259,311	320,159	392,524
Buildings	13,009	50,224	61,866
Motor vehicles	–	428	339
Total	**272,320**	**370,811**	**454,729**

Our right-of-use assets increased by 36.2% from RMB272.3 million as of December 31, 2022 to RMB370.8 million as of December 31, 2023, primarily due to (i) an increase in our leasehold land, mainly related to the construction of our Intelligent Tractor Manufacturing Hub; and (ii) an increase in our lease of buildings, mainly for production and research and development activities.

Our right-of-use assets increased by 22.6% from RMB370.8 million as of December 31, 2023 to RMB454.7 million as of December 31, 2024, primarily due to an increase in leasehold land, mainly because we planned to construct our Intelligent Manufacturing Base for High-end Agricultural Machinery.

Intangible Assets

Our intangible assets mainly represented (i) trademark rights; and (ii) software. The following table sets forth a breakdown of our intangible assets as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	(RMB in thousands)		
Trademark rights	530,189	530,189	530,189
Software	36,486	18,251	15,793
Total	**566,675**	**548,440**	**545,982**

Our intangible assets decreased slightly from RMB566.7 million as of December 31, 2022 to RMB548.4 million as of December 31, 2023, and further decreased to RMB546.0 million as of December 31, 2024, primarily due to the amortization of software.

Investments in Associates

Our investments in associates primarily consisted of our investment in Weichai Intelligent Technology and Weichai (Qingdao) Intelligent Heavy Industry Co., Ltd. On January 15, 2025, Weichai Intelligent Technology was renamed as Shandong Tongxin Zhixing Digital Intelligence Technology Co., Ltd. See Note 19 of the Accountants' Report in Appendix I to this document. Our investments in associates remained relatively stable at RMB297.7 million, RMB307.5 million and RMB307.7 million as of December 31, 2022, 2023 and 2024, respectively.

Inventories and Other Contract Costs

Our inventories and other contract costs primarily consisted of (i) raw materials; (ii) semi-finished goods; (iii) finished goods; and (iv) contract fulfilment cost, mainly representing the costs incurred to fulfill customer contracts for which the relevant revenue has not been recognized. Our contact cost was mainly related to transportation expenses for the delivery of products to distribution partner's warehouses. The following table sets forth a breakdown of our inventories and other contract costs as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	(RMB in thousands)		
Raw materials	234,980	237,101	279,150
Semi-finished goods	105,353	128,635	152,792
Finished goods	1,883,931	3,251,603	2,388,453
Contract fulfilment cost	26,293	24,819	11,561
Total	**2,250,557**	**3,642,158**	**2,831,956**

Our inventories and other contract costs increased by 61.8% from RMB2,250.6 million as of December 31, 2022 to RMB3,642.2 million as of December 31, 2023, primarily due to an increase in finished goods, mainly because we stocked up our inventories to prepare for the expected increase in sales volume of our products.

Our inventories and other contract costs decreased by 22.2% from RMB3,642.2 million as of December 31, 2023 to RMB2,832.0 million as of December 31, 2024, primarily due to a decrease in finished goods, mainly due to the increase in sales volume of harvesting machines, resulting from the increased market demand for our products.

The following table sets forth an aging analysis of the inventories and other contract costs as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	(RMB in thousands)		
Within one year	2,184,145	3,586,350	2,705,422
Over one year	171,422	178,938	224,146
Less: write down of inventories and other contract costs	(105,010)	(123,131)	(97,612)
Total	**2,250,557**	**3,642,158**	**2,831,956**

The following table sets forth the turnover days of our inventories and other contract costs for the years indicated:

	Year ended December 31,		
	2022	2023	2024
	(days)		
Inventories and other contract costs turnover days[1]	81.2	86.5	79.9

Note:

(1) Inventories and other contract costs turnover days for a year equal the average of the gross value of the opening and closing inventories and other contract costs balance divided by cost of sales for the relevant year and multiplied by the number of days in the relevant year, which is 360 days for each year.

Our inventories and other contract costs turnover days increased from 81.2 days in 2022 to 86.5 days in 2023, primarily because we stocked up our inventories to prepare for the expected increase in sales volume of our products.

Our inventories and other contract costs turnover days decreased from 86.5 days as of December 31, 2023 to 79.9 days as of December 31, 2024, primarily due to (i) an increase in sales volume of our products; and (ii) our increasing efforts to improve our inventory management capabilities.

Our inventories and other contract costs are subject to seasonality, primarily due to the harvesting season for our end users. We generally experience higher sales revenue from our harvesting machines two months before the harvesting season, typically in the second and third quarters of the year, with the minimum sales revenue experienced in the fourth quarter of each year. Therefore, we generally have relatively high volume of inventories, especially finished goods by the beginning and end of year. Accordingly, our results of operations fluctuate over the year, and our interim results may not be indicative of our annual results.

As of April 30, 2025, approximately RMB1,787.2 million, or 61.0% of our inventories and other contract costs as of December 31, 2024 had been utilized or sold.

Trade and Bills Receivables

Our trade and bills receivables represented the outstanding receivables from our customers during our ordinary course of business. The following table sets forth a breakdown of our trade and bills receivables as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	(RMB in thousands)		
Trade receivables	1,037,929	842,798	607,920
Bills receivables	66,455	36,097	23,646
Less: Impairment of trade and bills receivables	(474,601)	(443,542)	(86,705)
Trade and bills receivables, net	629,783	435,353	544,861

Our trade and bills receivables (net of impairment) decreased by 30.9% from RMB629.8 million as of December 31, 2022 to RMB435.4 million as of December 31, 2023, primarily due to (i) a decrease in revenue from the sales of agricultural machinery; and (ii) our enhanced efforts on trade and bill receivables collection and management.

Our trade and bills receivables (net of impairment) increased by 25.2% from RMB435.4 million as of December 31, 2023 to RMB544.9 million as of December 31, 2024, which was generally in line with our revenue growth. Our decreases in the gross amount of trade and bills receivables and impairment of trade and bills receivables were primarily due to the write-off of bad debts due to the fulfillment of write-off conditions in 2024, as our enhanced effort on trade and bill receivables management.

We generally offer our customers a credit period of 60 to 180 days. The following table sets forth an aging analysis of our trade and bills receivables based on the invoice dates as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	(RMB in thousands)		
Within one year	591,156	402,237	536,720
One to two years	17,077	22,153	6,237
Two to three years	16,936	2,875	1,804
Over three years	4,614	8,088	100
Total	**629,783**	**435,353**	**544,861**

We seek to maintain strict control over our outstanding trade and bills receivables and have dedicated credit risk management staff to control and mitigate credit risk. Our senior management assesses the recoverability of trade receivables on a regular basis taking into account historical settlement records of customers. During the Track Record Period, substantially all of our trade and bills receivables, being 93.9%, 92.4% and 98.5% as of December 31, 2022, 2023 and 2024, respectively, were aged within one year.

The following table sets forth the turnover days of the gross amount of our trade and bills receivables for the years indicated:

	Year ended December 31,		
	2022	2023	2024
	(days)		
Trade and bills receivables turnover days[1]	23.9	24.3	15.6

Note:

(1) Trade and bills receivables turnover days for a year equal the average of opening and closing balance of the gross amount of trade and bills receivables for the relevant year divided by revenue for the relevant year and multiplied by the number of days in the relevant year, which is 360 days for each year.

Our trade and bills receivables turnover days remained relatively stable at 23.9 days and 24.3 days in 2022 and 2023, respectively.

Our trade and bills receivable turnover days decreased from 24.3 days in 2023 to 15.6 days in 2024, primarily as a result of the write-off of bad debts due to the fulfillment of write-off conditions in 2024.

As of April 30, 2025, approximately RMB415.4 million, or 68.3% of our trade and bills receivables as of December 31, 2024, had been settled.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets primarily consisted of (i) advances to suppliers, mainly representing prepayments to raw material suppliers; (ii) deposits, mainly representing employee petty cash, deposits related to product export and tender security; (iii) VAT recoverable, mainly representing VAT credit resulting from the difference between input tax rate and output tax rate; (iv) amounts due from related parties, mainly related to our lending to a previous subsidiary to support its business operation that has been fully recognized for impairment provision; and (v) amounts due from third-parties, mainly representing our lending to a third-party company, which has been fully recognized for impairment provision. The following table sets forth a breakdown of our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	(RMB in thousands)		
Advances to suppliers	49,931	64,354	141,452
Deposits	13,066	12,989	3,893
VAT recoverable	80,263	425,165	825,970
Amounts due from related parties	634,910	622,715	622,715
Amounts due from third-parties	125,257	129,992	144,681
Others	12,476	19,930	4,263
	915,903	1,275,145	1,742,974
Less: Impairment	(739,264)	(740,350)	(739,075)
Total	**176,639**	**534,795**	**1,003,899**

Our prepayments, other receivables and other assets increased significantly from RMB176.6 million as of December 31, 2022 to RMB534.8 million as of December 31, 2023, and increased by 87.7% from RMB534.8 million as of December 31, 2023 to RMB1,003.9 million as of December 31, 2024, primarily due to the increase in VAT recoverable, mainly as a result of the increase in accumulated VAT refund along with our growth in business operation.

Financial Assets at Fair Value Through Profit or Loss ("FVTPL")

Our financial assets at fair value through profit or loss primarily represented our wealth management products, which were structured deposits generally with expected return rates ranging from 0.84% to 3.46%. See Note 24 of the Accountants' Report in Appendix I to this document.

Our financial assets at fair value through profit or loss increased from nil as of December 31, 2022 to RMB940.3 million as of December 31, 2023, primarily due to the maturity of all our structured deposits before the end of 2022. Our financial assets at fair value through profit or loss increased by 16.1% from RMB940.3 million as of December 31, 2023 to RMB1,092.1 million as of December 31, 2024, primarily due to the purchase of new wealth management products in 2024.

We primarily invest in short-term and low-risk wealth management products issued by reputable financial institutions to ensure controllable risk exposure from our investments. We have implemented internal policies on purchase and management of wealth management products. The investment decisions are made on a case-by-case basis after careful consideration of a number of factors, such as general market condition, credit of the commercial banks, our cash flow performance and the expected profit or potential loss of the investments. Such investments are also subject to multi-layer approval processes.

Restricted Deposits

Our restricted deposits primarily consisted of our bank deposits pledged for the issuance of bank acceptance bills and letters of guarantee. Our restricted deposits increased by 18.7% from RMB820.3 million as of December 31, 2022 to RMB973.6 million as of December 31, 2023, and then increased by 73.4% to RMB1,688.1 million as of December 31, 2024, primarily due to an increase in bank acceptance bills.

Trade and Bills Payables

Our trade and bills payables were primarily related to our settlement with suppliers. The following table sets forth a breakdown of our trade and bills payables as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
	(RMB in thousands)		
Trade payables	3,191,539	3,955,863	4,200,256
Bills payables	3,776,525	4,168,745	8,168,459
Total	**6,968,064**	**8,124,608**	**12,368,715**

Our trade and bills payables increased by 16.6% from RMB6,968.1 million as of December 31, 2022 to RMB8,124.6 million as of December 31, 2023, primarily due to an increase in trade payables, mainly because we increased our procurement to prepare for the expected increase in sales volume of our products. Our trade and bills payables increased by 52.2% from RMB8,124.6 million as of December 31, 2023 to RMB12,368.7 million as of December 31, 2024, primarily due to (i) an increase in settlement period with certain suppliers; and (ii) an increase in amount of accepted bill used for settlement.

Our suppliers generally granted us a credit period of 30 to 90 days during the Track Record Period. The following table sets forth an aging analysis of the trade and bills payables based on the invoice dates as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
	(RMB in thousands)		
Within one year	6,857,334	8,056,929	12,275,328
One to two years	21,996	12,947	44,191
Two to three years	23,228	4,608	6,675
Over three years	65,506	50,124	42,521
Total	**6,968,064**	**8,124,608**	**12,368,715**

The following table sets forth the turnover days of our trade and bills payables for the years indicated:

	As of December 31,		
	2022	**2023**	**2024**
	(days)		
Trade and bills payables turnover days(1)	216.0	213.3	244.4

Note:

(1) Trade and bills payables turnover days for a year equal the average of the opening and closing balance of trade and bills payables for the relevant year divided by the cost of sales for the relevant year and multiplied by the number of days in the relevant year, which is 360 days for each year.

Our trade and bills payables turnover days remained relatively stable at 216.0 days in 2022 and 213.3 days in 2023.

Our trade and bills payables turnover days increased from 213.3 days in 2023 to 244.4 days in 2024, primarily due to (i) an increase in settlement period with certain suppliers; and (ii) an increase in amount of accepted bill used for settlement.

As of April 30, 2025, approximately RMB8,376.7 million, or 67.7% of our trade and bills payables as of December 31, 2024 had been settled.

Other Payables and Accruals

Our other payables and accruals consisted of (i) payroll and welfare payable; (ii) other tax payables; (iii) accruals, mainly representing our accrued rebates that have not been paid to distribution partners; (iv) deposits, mainly representing our distribution partner's security deposits; and (v) payables for purchase of non-current assets. The following table sets forth our other payables and accruals as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	(RMB in thousands)		
Payroll and welfare payable	199,727	178,797	188,852
Other tax payables	122,718	82,770	66,264
Accruals	675,230	517,032	632,780
Deposits	208,732	233,303	230,884
Payables for purchase of non-current assets	62,085	79,361	51,824
Other payables	31,474	31,470	30,786
Total	**1,299,966**	**1,122,733**	**1,201,390**

Our other payables and accruals decreased by 13.6% from RMB1,300.0 million as of December 31, 2022 to RMB1,122.7 million as of December 31, 2023, primarily due to a decrease in accruals, mainly as a result of (i) a decrease in revenue; and (ii) our improvement of the efficiency of rebates payment to our distribution partners. Our other payables and accruals increased by 7.0% from RMB1,122.7 million as of December 31, 2023 to RMB1,201.4 million as of December 31, 2024, mainly due to an increase in accruals, which was generally in line with our increase in revenue.

Contract Liabilities

Our contract liabilities primarily representing advances from customers for purchasing agricultural machinery. Our contract liabilities increased by 33.5% from RMB1,515.3 million as of December 31, 2022 to RMB2,022.5 million as of December 31, 2023, primarily due to an increase in advance from customers to secure order to prepare for the expected increase in market demand for our products. Our contract liabilities decreased significantly from RMB2,022.5 million as of December 31, 2023 to RMB970.8 million as of December 31, 2024, primarily driven by more efficient product acceptance by our distributors, leading to increasing revenue recignition by us.

Provisions

Our provisions were related to (i) warranties, mainly representing our warranties of twelve months provided to customers on certain products for general repairs of defects occurring during the warranty period; and (ii) litigation compensation. Our provisions increased by 6.2% from RMB377.4 million as of December 31, 2022 to RMB400.7 million as of December 31, 2023, primarily due to an increase in provision on warranties, mainly because we increased our investment in after-sales services considering the significant increase in demand for cross-regional agricultural machinery operations in 2023. Our provisions remained relatively stable at RMB400.7 million and RMB383.6 million as of December 31, 2023 and 2024, respectively.

Deferred Income

Our deferred income was related to government grants from local government authorities to support our operational activities, which were not recognized in profit or loss as of the reporting dates. Our deferred income increased by 54.1% from RMB235.9 million as of December 31, 2022 to RMB363.6 million as of December 31, 2023, primarily due to the increase of government grants, mainly as a result of an increase in government grants provided by the government to support the development of agricultural machinery, particularly the research and development of agricultural machinery. Our deferred income remained relatively stable at RMB363.6 million and RMB345.3 million as of December 31, 2023 and 2024, respectively.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the years indicated:

	Year ended December 31,		
	2022	2023	2024
Gross profit margin (%)[(1)]	12.0	13.2	13.2
Net profit margin (%)[(2)]	4.8	5.9	5.5
Adjusted net profit margin (*non-IFRS measure*) (%)[(3)]	4.8	5.9	5.6
Quick ratio[(4)]	0.7	0.7	0.8
Current ratio[(5)]	1.0	1.0	1.0

Notes:

(1) Gross profit margin equals gross profit divided by revenue and multiplied by 100%.

(2) Net profit margin equals net profit for the year divided by revenue for the year and multiplied by 100%.

(3) Adjusted net profit margin (*non-IFRS measure*) equals adjusted net profit (*non-IFRS measure*) for the year divided by revenue for the year and multiplied by 100%.

(4) Quick ratio equals total current assets less inventories and other contract costs divided by total current liabilities.

(5) Current ratio equals current assets divided by current liabilities as of the same date.

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements principally from cash generated from operations and external financing. Going forward, we believe that our liquidity requirements will be satisfied by using a combination of operating cash flow, equity and debt financing and the estimated net [**REDACTED**] received from the [**REDACTED**].

Consolidated Cash Flow Statements

The following table sets forth our cash flow for the years indicated:

	Year ended December 31,		
	2022	**2023**	**2024**
	(RMB in thousands)		
Net cash flows generated from operating activities	3,097,741	852,429	3,813,110
Net cash flows from/(used in) investing activities	589,832	(1,284,612)	(4,373,928)
Net cash flows used in financing activities	(1,300,025)	(11,504)	(121,878)
Net increase/(decrease) in cash and cash equivalents	2,387,548	(443,687)	(682,696)
Cash and cash equivalents at end of year	5,889,399	5,451,296	4,780,087

Net Cash Flows Generated from Operating Activities

Our net cash flows generated from operating activities primarily represented our profit before tax for the period adjusted by: (i) non-cash and non-operating items; and (ii) changes in working capital.

In 2024, our net cash flows generated from operating activities was RMB3,813.1 million, which was primarily attributed to our profit before tax of RMB1,036.3 million, as adjusted by (i) non-cash and non-operating items, primarily comprising depreciation of property, plant and equipment of RMB158.7 million; and (ii) changes in working capital, which primarily comprised (a) an increase in trade and bill payables of RMB4,067.1 million, and (b) a decrease in contract liabilities of RMB1,051.7 million.

In 2023, our net cash flows generated from operating activities was RMB852.4 million, which was primarily attributed to our profit before tax of RMB933.1 million, as adjusted by (i) non-cash and non-operating items, primarily comprising depreciation of property, plant and equipment of RMB133.5 million; and (ii) changes in working capital, which primarily comprised (a) an increase in inventories and other contract costs of RMB1,426.8 million, and (b) an increase in trade and bill payables of RMB1,149.9 million.

In 2022, our net cash flows generated from operating activities was RMB3,097.7 million, which was primarily attributed to our profit before tax of RMB874.9 million, as adjusted by (i) non-cash and non-operating items, primarily comprising depreciation of property, plant and equipment of RMB133.1 million; and (ii) changes in working capital, which primarily comprised (a) a decrease in prepayments, other receivables and other assets of RMB3,747.3 million, (b) a decrease in trade and bill payables of RMB2,912.2 million, and (c) a decrease in inventories and other contract costs of RMB1,489.8 million.

Net Cash Flows from or Used in Investing Activities

In 2024, our net cash flows used in investing activities was RMB4,373.9 million, which was primarily attributable to (i) placement of time deposits of RMB3,568.6 million; (ii) purchases of items of property, plant and equipment of RMB697.0 million; and (iii) purchases of financial assets at fair value through profit or loss of RMB150.0 million.

In 2023, our net cash flows used in investing activities was RMB1,284.6 million, which was primarily attributable to (i) purchases of financial assets at fair value through profit or loss of RMB940.0 million; and (ii) purchases of items of property, plant and equipment of RMB391.3 million.

In 2022, our net cash flows from investing activities was RMB589.8 million, which was primarily attributable to (i) a decrease in an entrusted loan to a related party of RMB490.0 million; and (ii) disposal of a subsidiary of RMB486.2 million, partially offset by (i) capital contributions to associates of RMB318.1 million; and (ii) purchases of items of property, plant and equipment of RMB178.6 million.

Net Cash Flows Used in Financing Activities

In 2024, our net cash flows used in financing activities was RMB121.9 million, which was primarily attributable to dividend paid of RMB114.6 million.

In 2023, our net cash flows used in financing activities was RMB11.5 million, which was primarily attributable to lease payment of RMB20.0 million, partially offset by withdrawal of restricted deposits of RMB8.7 million.

In 2022, our net cash flows used in financing activities was RMB1,300.0 million, which was primarily attributable to (i) dividend paid of RMB961.2 million; (ii) a decrease in cash arising from the spin-off of subsidiaries of RMB225.1 million; and (iii) repayment of bank loans of RMB195.6 million.

Net Current Assets or Liabilities

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

	As of December 31,			As of April 30,
	2022	2023	2024	2025
				(Unaudited)
	(RMB in thousands)			
Current assets				
Inventories and other contract costs	2,250,557	3,642,158	2,831,956	2,550,116
Trade and bills receivables	629,783	435,353	544,861	2,230,446
Prepayments, other receivables and other assets	176,639	534,795	1,003,899	999,924
Financial assets at fair value through profit or loss ("FVTPL")	–	940,250	1,092,068	1,962,766
Current portion of long-term time deposits	–	–	85,297	86,000
Restricted deposits	820,295	973,586	1,688,104	1,134,224
Cash and bank balances	5,889,399	5,451,296	7,951,595	5,015,112
Total current assets	9,766,673	11,977,438	15,197,780	13,978,588
Current liabilities				
Trade and bills payables	6,968,064	8,124,608	12,368,715	11,940,809
Other payables and accruals	1,299,966	1,122,733	1,201,390	1,013,016
Contract liabilities	1,515,341	2,022,496	970,808	492,776
Interest-bearing bank borrowings	–	–	22,523	67,823
Lease liabilities	7,427	28,007	38,995	25,754
Provisions	377,433	400,692	383,600	423,933
Tax payable	8,328	21,056	18,968	6,125
Total current liabilities	10,176,559	11,719,592	15,004,999	13,970,235
Net current assets/ (liabilities)	(409,886)	257,846	192,781	8,352

We recorded net current liabilities of RMB409.9 million as of December 31, 2022 and net current assets of RMB257.8 million as of December 31, 2023. This was primarily due to (i) an increase in inventories and other contract costs; and (ii) an increase in financial assets at FVTPL, partially offset by (i) an increase in trade and bills payables; and (ii) an increase in contract liabilities.

Our net current assets decreased by 25.2% from RMB257.8 million as of December 31, 2023 to RMB192.8 million as of December 31, 2024, primarily due to (i) an increase in trade and bills payables; and (ii) a decrease in inventories and other contract costs, partially offset by (i) an increase in cash and cash balances; (ii) a decrease in contract liabilities; (iii) an increase in restricted deposits; (iv) an increase in prepayments, other receivables and other assets; (v) an increase in financial assets at FVTPL; and (vi) an increase in trade and bills receivables.

Our net current assets decreased significantly from RMB192.8 million as of December 31, 2024 to RMB8.4 million as of April 30, 2025. The decrease was primarily due to (i) a decrease in cash and bank balances, mainly as a result of our payment to banks upon the maturity of bank acceptance bills; (ii) a decrease in restricted deposits, mainly as a result of the release of our deposits pledged for issuance of bank acceptance bills upon the maturity of bank acceptance bills; and (iii) a decrease in inventories and other contract costs, mainly as a result of an increase in sales volume of our agricultural machinery, primarily attributable to the seasonality of our business, partially offset by (i) an increase in trade and bills receivables, mainly due to the accumulated customers who have not yet reached their credit periods, reflecting our general pattern of trade and bills receivables recovery. We will settle our trade and bills receivables upon their maturity; (ii) an increase in financial assets at FVTPL, mainly as a result of the purchase of new wealth management products; and (iii) a decrease in contract liabilities, mainly due to more efficient product acceptance by our distributors, leading to increasing revenue recignition by us.

INDEBTEDNESS

As of April 30, 2025, being the indebtedness date for the purpose of the indebtedness statement, we had a total indebtedness of RMB114.3 million. As of April 30, 2025, we had unutilized banking facilities of RMB13,311.0 million. The following table sets forth the details of our indebtedness as of April 30, 2025:

	As of December 31,			As of April 30,
	2022	2023	2024	2025
				(Unaudited)
		(RMB in thousands)		
Lease liabilities	12,256	49,369	60,725	46,429
Interest-bearing bank borrowings	–	–	22,523	67,823
Total	**12,256**	**49,369**	**83,248**	**114,252**

Lease Liabilities

Our lease liabilities were primarily related to our lease of buildings. As of December 31, 2022, 2023, 2024 and April 30, 2025, our total lease liabilities were RMB12.3 million, RMB49.4 million, RMB60.7 million and RMB46.4 million, respectively.

The following table sets forth our lease liabilities in absolute amounts as of the dates indicated:

	As of December 31,			As of April 30,
	2022	2023	2024	2025
				(Unaudited)
	(RMB in thousands)			
Non-current lease liabilities . .	4,829	21,362	21,730	20,675
Current lease liabilities	7,427	28,007	38,995	25,754
Total	**12,256**	**49,369**	**60,725**	**46,429**

Our lease liabilities increased significantly from RMB12.3 million as of December 31, 2022 to RMB49.4 million as of December 31, 2023, primarily due to an increase in our lease of buildings, mainly for research and development and promotional activities. Our lease liabilities increased by 23.0% from RMB49.4 million as of December 31, 2023 to RMB60.7 million as of December 31, 2024, primarily due to an increase in our lease of buildings to support our business expansion. Our total lease liabilities decreased by 23.5% from RMB60.7 million as of December 31, 2024 to RMB46.4 million as of April 30, 2025, primarily due to the rental payments.

Interest-bearing Bank Borrowings

As of December 31, 2022, 2023, 2024 and April 30, 2025, our interest-bearing bank borrowings were nil, nil, RMB22.5 million and RMB67.8 million, respectively. The effective interest rate of our interest-bearing bank borrowings was 2.60% per annum during the Track Record Period and in the three months ended April 30, 2025. Our interest-bearing bank borrowings increased from nil as of December 31, 2023 to RMB22.5 million as of December 31, 2024, and further increased significantly to RMB67.8 million as of April 30, 2025, primarily because we scaled up our borrowings for the construction, upgrade and optimization of our Intelligent Tractor Manufacturing Hub.

Our Directors confirm that, there was no material covenant on any of our outstanding debt as of the Latest Practicable Date, and there was no breach of any covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that we did not experience any unusual difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Except as disclosed above, during the Track Record Period and up to April 30, 2025, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), or acceptance credits, which were either guaranteed or unguaranteed, secured or unsecured.

CONTINGENT LIABILITIES

Pursuant to the agreement between our Company and Huiyin Financial Leasing, our Group have provided joint and several liability guarantees for all obligations under financial lease contracts entered into by lessees recommended by our Company and our dealers and Huiyin Financial Leasing. The guarantee period extends to five years after the expiration of the final payment obligation under the respective financial lease contracts.

Our outstanding guarantee balances as of December 31, 2022, 2023 and 2024 were RMB914.6 million, RMB1,254.1 million and RMB1,798.9 million, respectively. During the Track Record Period and up to the Latest Practicable Date, no claims were settled under these guarantees and Huiyin Financial Leasing had consistently maintained stringent lessee eligibility criteria. Consequently, our management has assessed that the probability of default on these obligations in future periods is remote. Accordingly, the guarantee provision was assessed to be minimal as of December 31, 2022, 2023 and 2024.

See Note 40 of the Accountants' Report in Appendix I to this document.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, save for disclosed above, we had not entered into any off-balance sheet arrangements.

CAPITAL COMMITMENTS

Our capital commitments were RMB571.1 million, RMB1,128.1 million and RMB1,166.2 million as of December 31, 2022, 2023 and 2024, respectively, which were contracted for purchasing property, plants and equipment. See Note 33 of the Accountants' Report in Appendix I to this document.

CAPITAL EXPENDITURES

Our capital expenditures were RMB178.6 million, RMB391.3 million and RMB697.0 million in 2022, 2023 and 2024, respectively, primarily representing the capital expenditures in respect of the purchases of property, plant and equipment. We funded our capital expenditure requirements during the Track Record Period mainly from cash generated from operations and external financing. We intend to fund our future capital expenditures and long-term investments by using a combination of operating cash flow, equity and debt financing and the estimated net [**REDACTED**] received from the [**REDACTED**]. See "Future Plans and Use of [**REDACTED**]." We may adjust our capital expenditures for any given year according to our development plans or in light of market conditions and other factors we believe to be appropriate.

MATERIAL RELATED PARTY TRANSACTIONS

For details about our related party transactions during the Track Record Period, see Note 41 of the Accountants' Report in Appendix I to this document.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm's length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

FINANCIAL RISK

We are exposed to a variety of financial risks, including market risks (such as foreign currency risk), credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. Our Board reviewed and agreed the following risk management policies. See Note 44 of the Accountants' Report in Appendix I to this document for a detailed description of our financial risk management.

Foreign Currency Risk

We have transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The management of our Group considers our Group's exposure to foreign currency risk not significant. For further details of our foreign currency risk, see Note 44 of the Accountants' Report in Appendix I to this document.

Credit Risk

We trade only with recognized and creditworthy third parties. It is our 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 our exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, we do not offer credit terms without the specific approval of the Head of Credit Control. For details of maximum exposure and year-end staging. See Note 44 of the Accountants' Report in Appendix I to this document.

Liquidity Risk

We monitor and maintain a level of cash and cash equivalents deemed adequate by the management of us to finance the operations and mitigate the effects of fluctuations in cash flows. Our objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, lease liabilities and other interest-bearing loans. For further details of our liquidity risk, see Note 44 of the Accountants' Report in Appendix I to this document.

DIVIDENDS

On June 6, 2025, our Company's Eighth Board of Directors approved the proposal to distribute a cash dividend of RMB0.2 per share (tax inclusive), based on the shareholder register as of the actual dividend payment date, with the total dividend amount reaching RMB229.2 million. We declared interim dividends of RMB540.0 million and final dividends of RMB421.2 million in 2022. We have declared final dividends of RMB114.6 million in 2024. We did not declare dividend in 2023. As of the Latest Practicable Date, we have paid the dividends declared in 2022 and 2024 in full. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. Any future determination of dividends distribution, as well as the amount will be made at the discretion of our Board of Directors which will be subject to the corporate shareholder approval processes and may be based on a number of factors, including but not limited to our future operations and earnings, capital requirements and surplus, cash flows and general financial condition, contractual restrictions, taxation and other factors from time to time that the Board of Directors may deem relevant, and will also be subject to our Articles of Association and constitutional documents, as well as applicable laws and regulations. Any future declarations and payments of dividends may or may not reflect the historical declarations and payments of dividends.

WORKING CAPITAL CONFIRMATION

Taking into account the financial resources available to us, including our cash and cash equivalents on hand, the long-term bank deposits and the estimated net [**REDACTED**] from the [**REDACTED**], our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this document.

DISTRIBUTABLE RESERVES

As of December 31, 2024, our Company had distributable reserves of RMB1,782.4 million.

[REDACTED] EXPENSE

[**REDACTED**] expenses consist of professional fees, [**REDACTED**] and other fees incurred in connection with the [**REDACTED**]. We expect to incur [**REDACTED**] expenses of approximately RMB[**REDACTED**] (HK[**REDACTED**]), comprising: (i) [**REDACTED**] fees of RMB[**REDACTED**] (HK$[**REDACTED**]); and (ii) non [**REDACTED**] expenses of RMB[**REDACTED**] (HK$[**REDACTED**]), which are further categorized into: (a) fees and expenses of legal advisors and accountants of RMB[**REDACTED**] (HK$[**REDACTED**]); and (b) other fees and expenses of RMB[**REDACTED**] (HK$[**REDACTED**]), assuming the [**REDACTED**] is not exercised and based on the [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the [**REDACTED**] of the [**REDACTED**]), approximately RMB[**REDACTED**] (HK$[**REDACTED**]) of which is expected to be charged to our combined statements of profit or loss, and approximately RMB[**REDACTED**] (HK$[**REDACTED**]) of which is expected to be deducted from equity upon completion of the [**REDACTED**]. The [**REDACTED**] expenses are expected to represent approximately [**REDACTED**]% of the gross [**REDACTED**] of the [**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the [**REDACTED**] of the indicative [**REDACTED**]) and that the [**REDACTED**] is not exercised. The [**REDACTED**] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. We do not expect such expenses to have a material adverse impact on our results of operations in 2025.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

See Unaudited [**REDACTED**] Financial Information in Appendix II to this document.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this document, there had been no material adverse change in our financial or trading position or prospects since December 31, 2024, being the end date of the periods reported in Appendix I to this document, and there is no event since December 31, 2024 that would materially affect the information as set out in the Accountants' Report in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

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

FUTURE PLANS

See "Business — Our Strategies" for a detailed discussion of our future plans.

USE OF [REDACTED]

Assuming that the [**REDACTED**] is not exercised, after deducting the [**REDACTED**] and other estimated [**REDACTED**] expenses payable by us in connection with the [**REDACTED**], and assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the [**REDACTED**] of the indicative [**REDACTED**] of HK$[**REDACTED**] and HK$[**REDACTED**]), we estimate that we will receive net [**REDACTED**] of approximately HK$[**REDACTED**] from the [**REDACTED**]. We intend to use the [**REDACTED**] from the [**REDACTED**] for the purposes and in the amounts set forth below:

- Approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used for the construction of a new Intelligent Manufacturing Base for High-end Agricultural Machinery, the intelligent upgrade and transformation of the current production lines and a high-end agricultural equipment international logistics center. In particular:

  o Approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to build an Intelligent Manufacturing Base for High-end Agricultural Machinery to meet market demand for large-scale, intelligent products (such as high-capacity harvesting machines, self-propelled sprayers, forage harvesters and mower conditioners) as well as core components for such machines, aiming to further improve our comprehensive product matrix and manufacturing capabilities. We commenced planning in 2025 and is expected to complete all engineering construction by the end of 2027. In particular:

    (i) Approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to purchase advanced equipment for the high-precision laser cutting machine, CNC bending machine, welding robots, AGV assembly line, electric torque wrench machine, balancing manipulator, digital run-in testbed, hydraulic and electronic control inspection station, structural fatigue testing rig and performance testing bench for the Intelligent Manufacturing Base for High-end Agricultural Machinery;

    (ii) Approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used for civil engineering and decoration of the Intelligent Manufacturing Base for High-end Agricultural Machinery, including factory construction, civil construction, basic interior decoration and construction of public facilities and power station buildings; and

    (iii) Approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used for other expenses of the Intelligent Manufacturing Base for High-end Agricultural Machinery, including design fees, equipment commissioning fees and completion acceptance fees.

According to the Frost & Sullivan, the market size of China's harvesting machinery continues to expand steadily, and it is expected to reach RMB32.1 billion by 2030, with a CAGR of 9.9% from 2024 to 2030. Specifically, according to the same source, the penetration rate of intelligent harvesting machinery in China will also continue to expand, and it is expected to increase to 50.4% by 2030. As a leading enterprise with high-performance, intelligent product strategic layout, we plan to seize market potential by expanding the production capacity of large-scale, high-end agricultural machinery products, including large-capacity harvest machines and forage machines. The expected completion time of our Intelligent Manufacturing Base for High-end Agricultural Machinery is 2027 with a design annual production capacity of 3,000 units, which aligns with the growth in market demand.

o Approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used for the intelligent upgrade and transformation of our factory, enhancing the level of intelligent manufacturing and automation. In particular, we will carry out upgrades in the following areas: (i) flexible manufacturing capability enhancement, which comprehensively improves production line adaptability by introducing FMS systems to achieve rapid switching and efficiency optimization of cross-model shell processing; (ii) production automation upgrade, which reduces labor intensity while ensuring product quality consistency through the purchase of bending robots, intelligent spraying systems and automated shell processing equipment; (iii) data-driven production optimization, which achieves dynamic adjustment of process parameters through real-time production data collection and algorithm analysis by implementing information technology transformation, thereby promoting quality and efficiency improvement; (iv) green intelligent manufacturing system construction, which reduces unit energy consumption and harmful substance emissions by building new environmental protection coating lines and adopting energy-saving equipment; and (v) precision manufacturing capability enhancement, which ensures operational accuracy and quality stability in manufacturing of our products and their respective components by configuring high-precision equipment and intelligent detection systems in welding, parts processing and assembly processes.

o Approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to to build a high-end agricultural equipment international logistics center in Weifang, Shandong, to create a global supply chain service system. In particular, our high-end agricultural equipment logistics center will mainly implement advanced warehouse management systems to achieve precise control of bulk transportation and inventory, enhancing the delivery capabilities for overseas orders. We had commenced the planning of the construction in 2025 and complete all engineering construction by the end of 2027.

According to the Frost & Sullivan, the export scale of China's agricultural machinery continues to expand steadily. In 2024, China's exports of key agricultural machinery including tractors, harvesters and machinery for field management totaled approximately RMB14.9 billion, marking a 12.3% increase compared to 2023. The competitiveness of China's agricultural machinery in the global market is gradually increasing. As a leader in smart agriculture in China, we plan to seize the opportunity for global market expansion by laying out supply chain infrastructure, shortening the technology conversion cycle on the research and development end and optimizing the logistics cost structure on the delivery end.

- Approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used for research and development investment to promote the development of intelligent agricultural machinery and the commercialization of smart agriculture solutions. In particular:

  o Approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used for the research and development of intelligent agricultural machinery. In particular:

    (i) Approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used for the research and development of tractors. Our main tractor research and development projects will include: (i) an advanced transmission system, we will continuously deepen our power shift technology iterations, further improving driving comfort and operational efficiency, as well as simultaneously developing diversified power shift products; (ii) new energy development strategy, we will allocate resources for the parallel development of pure electric and hybrid technology routes by widely deploying research resources for pure electric compact products suitable for orchards or facility agriculture, as well as hybrid power high-horsepower models for drylands operations. To achieve this goal, we plan to allocate HK$[**REDACTED**] for R&D staffing costs, HK$[**REDACTED**] for purchasing equipment, materials and molds required for research and development activities and HK$[**REDACTED**] for testing and other expenses;

    (ii) Approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used for the research and development of large-capacity harvesting machines. Our main projects for large-capacity harvesting machines will include: (i) the development of 18 kg/s large-capacity intelligent harvesting machines, as well as allocating research resources and planning for the development and commercialization of hundreds of intelligent control technologies to continuously improve intelligent control levels; (ii) the development of large self-propelled forage harvester products, focusing on the development of models with a cutting width of more than six meters, benchmarking international leading technical standards, aiming to promote the localization process of high-end forage harvester and overseas market expansion; and (iii) the development of hybrid power harvesting machine products, including power endurance and energy efficiency management technologies under complex working conditions, accelerating the breakthrough of new energy agricultural machinery technology barriers. To achieve this goal, we plan to allocate HK$[**REDACTED**] for R&D staffing costs, HK$[**REDACTED**] for purchasing equipment, materials and molds required for research and development activities and HK$[**REDACTED**] for testing and other expenses; and

(iii) Approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used for the research and development of agricultural robot projects. Our agricultural robot project development focus will include: (i) driving system modernization, by deploying intelligent driving systems, we aim to achieve global path planning and enhancing operational continuity with remote data transmission interaction; (ii) scenario expansion, by extending robotic capabilities to intelligently navigate and perform stable operations across complex terrains including dry fields, paddy fields orchards and facility agriculture, we aim to deliver reliable solutions for diverse agricultural environments; and (iii) intelligent operation enhancement, by integrating ISOBUS technology to enable automated operations between machinery and implements, and continuously improving fine-tuned operation capabilities through the integration of navigation and positioning technology, artificial intelligence technology, intelligent communication and other technological innovations, we aim to promote the intelligent, precise and green development of agricultural robots and enhancing overall operational efficiency and quality. To achieve this goal, we plan to allocate HK$[**REDACTED**] for R&D staffing costs, HK$[**REDACTED**] for the purchase of equipment, material or software, testing and other expenses and HK$[**REDACTED**] as technology development expenses.

o Approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used for the research and development of smart agriculture solutions. Our development focus for smart agriculture solutions include: (i) intelligent driving technology, which enhances the autonomous operation level of agricultural machinery through the development of navigation control algorithms, integrated positioning, multi-machine collaboration and obstacle perception technologies, thereby improving operational efficiency and driving safety; (ii) intelligent cab technology, which significantly streamlines operational complexity and improves user experience via voice interaction, intelligent networking and optimized onboard operating systems; (iii) visual technology, which enables agricultural machinery to accurately identify obstacles and operational targets through virtual simulation, perception algorithms and point-cloud processing technology, further enhancing operational precision; (iv) control sensing technology, which ensures real-time status monitoring and precise control of agricultural machinery operations through high-precision sensors and upgraded communication systems, providing more stable and efficient performance; and (v) cloud platform technology, which strengthens information security and data service capabilities by integrating data and intelligent algorithms, assisting agricultural producers in analyzing and utilizing data more safely and reliably, thereby improving the scientific accuracy of decision-making. To achieve these goals, we plan to allocate HK$[**REDACTED**] for R&D staffing costs, HK$[**REDACTED**] for consulting, testing and other expenses, HK$[**REDACTED**] for purchasing equipment and materials, and HK$[**REDACTED**] for technology development expenses.

- Approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used for overseas business and market expansion. In particular:

  o Approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to strengthen overseas marketing service capabilities and product sales. In particular:

    (i) Approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used for expenses related to brand promotion, mainly through advertising and distributing other promotional materials, as well as attending exhibitions to achieve potential market development and synchronized sales promotion in various markets; and

    (ii) Approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to enhance service capabilities, mainly through (i) deploying backup equipment in end markets to ensure swift handling of malfunctioning vehicles; (ii) equipping service personnel with advanced diagnostic tools and intensifying staff training programs to improve technical service proficiency and professional image; and (iii) establishing a global parts supply warehouse system to reduce parts wastage and strengthen incident response capabilities.

  o Approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to expand extensive distribution channels and improving the layout of overseas service systems.

- Approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used for working capital and general corporate purpose.

In the event that the [**REDACTED**] is set at the maximum [**REDACTED**] or the minimum [**REDACTED**] of the indicative [**REDACTED**], the net [**REDACTED**] of the [**REDACTED**] will increase by approximately HK$[**REDACTED**] or decrease by approximately HK$[**REDACTED**], respectively.

The additional net [**REDACTED**] that we would receive if the [**REDACTED**] were exercised in full would be (i) HK$[**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the maximum [**REDACTED**] of the indicative [**REDACTED**]), (ii) HK$ [**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the [**REDACTED**] of the indicative [**REDACTED**]) and (iii) HK$[**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the minimum [**REDACTED**] of the indicative [**REDACTED**]).

To the extent that the net [**REDACTED**] from the [**REDACTED**] are either more or less than expected, we will adjust our allocation of the net [**REDACTED**] for the above purposes on a pro rata basis.

To the extent that the net [**REDACTED**] of the [**REDACTED**] are not immediately used for the above purposes or if we are unable to effect any part of our future development plans as intended, we may deposit such funds into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance or the applicable laws and regulations in other jurisdictions) for so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

If any part of our development plan does not proceed as planned for reasons such as changes in government policies that would hinder the development of any of our projects, or the occurrence of force majeure events, the Directors will carefully evaluate the situation and may reallocate the net [**REDACTED**] from the [**REDACTED**]. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

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The following is the text of a report on Weichai Lovol Intelligent Agricultural Technology CO., LTD., prepared for the purpose of incorporation in this document received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF WEICHAI LOVOL INTELLIGENT AGRICULTURAL TECHNOLOGY CO., LTD. AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of Weichai Lovol Intelligent Agricultural Technology CO., LTD. (the "Company") and its subsidiaries (together, the "Group") set out on pages [●] to [●], which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2022, 2023 and 2024 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2022, 2023 and 2024 and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages [●] to [●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "Document") in connection with the [**REDACTED**] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' Responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2022, 2023 and 2024 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on Matters Under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [●] have been made.

Dividends

We refer to note 13 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

Certified Public Accountants
Hong Kong
[●] 2025

I HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Notes	Year ended 31 December 2022	2023	2024
		RMB'000	RMB'000	RMB'000
CONTINUING OPERATIONS				
REVENUE	5	15,950,044	14,676,348	17,393,038
Cost of sales		(14,037,870)	(12,737,176)	(15,090,784)
Gross profit		1,912,174	1,939,172	2,302,254
Other income and gains	5	267,501	310,270	349,261
Selling and marketing expenses		(301,245)	(327,706)	(417,792)
Administrative expenses		(399,128)	(330,737)	(353,621)
Research and development costs		(570,566)	(676,878)	(838,557)
Reversal of impairment of financial assets		9,532	31,827	17,441
Other expenses	6	(19,796)	(2,196)	(21,045)
Finance costs	8	(3,104)	(1,908)	(1,806)
Share of losses/(profits) of associates		(20,472)	(8,769)	179
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	7	874,896	933,075	1,036,314
Income tax expense	11	(63,480)	(61,803)	(79,452)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		811,416	871,272	956,862
DISCONTINUED OPERATIONS				
Loss for the year from discontinued operations	12	(39,355)	–	–
PROFIT FOR THE YEAR		772,061	871,272	956,862
Profit for the year attributable to:				
Owners of the parent		767,932	871,165	956,409
Non-controlling interests		4,129	107	453
		772,061	871,272	956,862
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	14			
Basic and diluted (RMB)				
For profit for the year		0.65	0.76	0.83
For profit from continuing operations		0.68	0.76	0.83

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
PROFIT FOR THE YEAR	772,061	871,272	956,862
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(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	485	(551)	407
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	485	(551)	407
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	772,546	870,721	957,269
Attributable to:			
Owners of the parent	768,417	870,614	956,816
Non-controlling interests	4,129	107	453
	772,546	870,721	957,269

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	Notes	**2022**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*15*	1,169,449	1,378,843	1,982,988
Investment properties	*16*	5,199	2,188	2,081
Right-of-use assets	*17(a)*	272,320	370,811	454,729
Intangible assets	*18*	566,675	548,440	545,982
Investments in associates	*19*	297,667	307,515	307,695
Equity investments designated at fair value through other comprehensive income	*20*	3,765	3,117	3,595
Deferred tax assets	*30*	419,221	390,552	344,843
Long-term time deposits	*25*	–	–	342,672
Prepayments and other assets	*23*	14,780	91,939	–
Total non-current assets		2,749,076	3,093,405	3,984,585
CURRENT ASSETS				
Inventories and other contract costs	*21*	2,250,557	3,642,158	2,831,956
Trade and bills receivables	*22*	629,783	435,353	544,861
Prepayments, other receivables and other assets	*23*	176,639	534,795	1,003,899
Financial assets at fair value through profit or loss ("FVTPL")	*24*	–	940,250	1,092,068
Current portion of long-term time deposits	*25*	–	–	85,297
Restricted deposits	*25*	820,295	973,586	1,688,104
Cash and bank balances	*25*	5,889,399	5,451,296	7,951,595
Total current assets		9,766,673	11,977,438	15,197,780
CURRENT LIABILITIES				
Trade and bills payables	*26*	6,968,064	8,124,608	12,368,715
Other payables and accruals	*27*	1,299,966	1,122,733	1,201,390
Contract liabilities	*28*	1,515,341	2,022,496	970,808
Interest-bearing bank borrowings	*29*	–	–	22,523
Lease liabilities	*17(b)*	7,427	28,007	38,995
Provisions	*31*	377,433	400,692	383,600
Tax payable		8,328	21,056	18,968
Total current liabilities		10,176,559	11,719,592	15,004,999
NET CURRENT ASSETS		(409,886)	257,846	192,781
TOTAL ASSETS LESS CURRENT LIABILITIES		2,339,190	3,351,251	4,177,366

		As at 31 December		
	Notes	**2022**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES				
Deferred income	*32*	235,901	363,575	345,255
Lease liabilities	*17(b)*	4,829	21,362	21,730
Deferred tax liabilities	*30*	246	49	–
Other payables and accruals	*27*	20,781	17,797	18,995
Total non-current liabilities		261,757	402,783	385,980
Net assets		2,077,433	2,948,468	3,791,386
EQUITY				
Equity attributable to owners of the parent				
Paid-in capital	*34*	1,145,763	1,145,763	1,145,763
Reserves	*35*	924,732	1,795,350	2,637,815
		2,070,495	2,941,113	3,783,578
Non-controlling interests		6,938	7,355	7,808
Total equity		2,077,433	2,948,468	3,791,386

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent									
	Paid-in capital	Share premium*	Other reserves*	Statutory surplus reserve*	Fair value reserve of financial assets at fair value through other comprehensive income*	Retained earnings*	Special reserves*	Total	Non-controlling interests	Total equity
	RMB'000 (*note 34*)	*RMB'000* (*note 35*)	*RMB'000* (*note 35*)	*RMB'000* (*note 35*)	*RMB'000* (*note 35*)	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	1,209,096	363,868	3,860	407,452	30	399,403	70,297	2,454,006	23,635	2,477,641
Profit for the year	–	–	–	–	–	767,932	–	767,932	4,129	772,061
Other comprehensive income for the year:										
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	485	–	–	485	–	485
Total comprehensive income for the year	–	–	–	–	485	767,932	–	768,417	4,129	772,546
Capital contribution by shareholders	16,667	120,833	–	–	–	–	–	137,500	–	137,500
Capital contribution by non-controlling shareholders	–	–	–	–	–	–	–	–	490	490
Transaction with non-controlling shareholders	–	(5,735)	–	–	–	–	–	(5,735)	(28,258)	(33,993)
Business combination under common control	–	(72,437)	–	–	–	–	–	(72,437)	–	(72,437)
Effect of a spin-off	(80,000)	–	–	(169,020)	–	–	–	(249,020)	6,886	(242,134)
Disposal of an investment in an associate	–	–	(1,054)	–	–	–	–	(1,054)	–	(1,054)
Distribution	–	–	–	–	–	(961,182)	–	(961,182)	–	(961,182)
Allocation and utilisation of special reserves	–	–	–	–	–	1,435	(1,435)	–	56	56
Transfer to retained earnings	–	–	(2,806)	–	–	2,806	–	–	–	–
Transfer to reserves	–	–	–	77,516	–	(77,516)	–	–	–	–
At 31 December 2022	1,145,763	406,529	–	315,948	515	132,878	68,862	2,070,495	6,938	2,077,433

	Attributable to owners of the parent								Non-controlling interests	Total equity
	Paid-in capital	Share premium*	Other reserves*	Statutory surplus reserve*	Fair value reserve of financial assets at fair value through other comprehensive income*	Retained earnings*	Special reserves*	Total		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 34)	*(note 35)*	*(note 35)*	*(note 35)*						
At 1 January 2023	1,145,763	406,529	–	315,948	515	132,878	68,862	2,070,495	6,938	2,077,433
Profit for the year	–	–	–	–	–	871,165	–	871,165	107	871,272
Other comprehensive loss for the year:										
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	(551)	–	–	(551)	–	(551)
Total comprehensive income for the year	–	–	–	–	(551)	871,165	–	870,614	107	870,721
Transaction with non-controlling shareholders	–	4	–	–	–	–	–	4	197	201
Capital contribution by non-controlling shareholders	–	–	–	–	–	–	–	–	113	113
Allocation and utilisation of special reserves	–	–	–	–	–	(1,811)	1,811	–	–	–
Transfer to reserves	–	–	–	83,021	–	(83,021)	–	–	–	–
At 31 December 2023	1,145,763	406,533	–	398,969	(36)	919,211	70,673	2,941,113	7,355	2,948,468

	Attributable to owners of the parent								Non-controlling interests	Total equity
	Paid-in capital	Share premium*	Other reserves*	Statutory surplus reserve*	Fair value reserve of financial assets at fair value through other comprehensive income*	Retained earnings*	Special reserves*	Total		
	RMB'000 (note 34)	RMB'000 (note 35)	RMB'000 (note 35)	RMB'000 (note 35)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024	1,145,763	406,533	–	398,969	(36)	919,211	70,673	2,941,113	7,355	2,948,468
Profit for the year	–	–	–	–	–	956,409	–	956,409	453	956,862
Other comprehensive income for the year:										
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	407	–	–	407	–	407
Total comprehensive income for the year	–	–	–	–	407	956,409	–	956,816	453	957,269
Distribution	–	–	–	–	–	(114,576)	–	(114,576)	–	(114,576)
Allocation and utilisation of special reserves	–	–	–	–	–	16,217	(16,217)	–	–	–
Transactions between shareholders	–	225	–	–	–	–	–	225	–	225
Transfer to reserves	–	–	–	91,345	–	(91,345)	–	–	–	–
At 31 December 2024	1,145,763	406,758	–	490,314	371	1,685,916	54,456	3,783,578	7,808	3,791,386

* The reserve accounts comprise the consolidated reserves of RMB924,732,000, RMB1,795,350,000 and RMB2,637,815,000 in the consolidated statements of financial position as at 31 December 2022, 2023 and 2024, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December		
		2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before tax:				
From continuing operations		874,896	933,075	1,036,314
From a discontinued operation		(27,752)	–	–
Adjustments for:				
Depreciation of property, plant and equipment	*15*	133,111	133,543	158,738
Depreciation of right-of-use assets	*17(a)*	17,319	33,280	48,558
Amortisation of intangible assets	*18*	11,127	18,270	5,541
Depreciation of investment properties	*16*	201	248	133
Gain on disposal of property, plant and equipment		(667)	(4,065)	(1,023)
Gain on disposal of investment properties		–	(12,497)	–
Reversal of impairment of trade and bills receivables		(11,257)	(32,913)	(17,140)
Impairment of Property, plant and equipment		–	397	1,204
Impairment/(reversal of impairment) of prepayments, other receivables and other assets		2,016	1,086	(301)
(Reversal of impairment)/impairment of inventories and other contract costs		(15,857)	35,171	24,588
Share of losses/(profits) of associates		20,472	8,769	(179)
Change in fair value of financial assets at FVTPL		–	(250)	(1,818)
Finance costs	*8*	3,104	1,908	1,806
Interest income		(161,745)	(133,968)	(129,450)
Loss on disposal of a subsidiary		12,102	–	–
Gain on disposal of associates		(19,229)	–	–
Gain on deemed disposal		–	(18,618)	–
Interest income from financial assets at FVTPL		(20,832)	(8,082)	(26,334)
Dividend income from equity investments at fair value through other comprehensive income		(477)	–	–
Gain on derecognition of financial assets measured at amortised cost		(12,344)	–	–

	Notes	Year ended 31 December 2022	2023	2024
		RMB'000	RMB'000	RMB'000
Decrease/(increase) in inventories and other contract costs		1,489,771	(1,426,772)	785,613
Increase/(decrease) in contract liabilities		(560,971)	507,155	(1,051,689)
Decrease/(increase) in trade and bills receivables		(94,296)	114,501	(92,368)
Decrease/(increase) in prepayments, other receivables and other assets		3,747,268	(371,434)	(387,573)
Increase/(decrease) in deferred revenue		37,051	127,674	(18,320)
Increase/(decrease) in trade and bill payables		(2,912,227)	1,149,906	4,067,055
Increase/(decrease) in other payables and accruals		93,045	(176,787)	78,658
Increase/(decrease) in provision		123,800	23,260	(17,092)
(Placement)/withdrawal of restricted deposits		251,368	(161,955)	(715,217)
Increase/(decrease) in long term other payables and accruals		(6,736)	(2,984)	1,199
Cash generated from operations		2,972,261	737,918	3,750,903
Interest received		153,218	133,965	98,573
Income tax paid		(27,738)	(19,454)	(36,366)
Net cash flows from operating activities		3,097,741	852,429	3,813,110
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(178,565)	(391,265)	(697,016)
Proceeds from disposal of items of property, plant and equipment		5,490	26,376	8,812
Interest received from financial assets classified as at FVTPL		20,832	8,082	29,094
Interest received from time deposits		–	–	3,782
Decrease in an entrusted loan to a related party		490,000	–	–
Disposal of a subsidiary	*37*	486,185	12,195	–
Disposal of an associate		40,297	–	–
Dividend received from equity investments at fair value through other comprehensive income		477	–	–
Interest received from an entrusted loan to a related party		9,038	–	–
Dividend received from an associate		34,216	–	–
Purchases of financial assets at fair value through profit or loss		–	(940,000)	(150,000)
Placement of time deposits		–	–	(3,568,600)
Capital contributions to associates		(318,138)	–	–
Net cash flows from/(used in) investing activities		589,832	(1,284,612)	(4,373,928)

	Notes	Year ended 31 December 2022	2023	2024
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from bank loans		–	–	22,523
Repayments of bank loans		(195,636)	–	–
Interest paid		(3,104)	–	–
Lease payments		(2,376)	(20,034)	(30,749)
Dividend paid		(961,182)	–	(114,576)
Dividends paid to non-controlling shareholders		(16,118)	–	–
Decrease in cash arising from the spin-off of the Company		(225,095)	–	–
Payments in transactions with non-controlling shareholders		(35,993)	–	–
Proceeds from transactions with non-controlling shareholders		2,000	201	225
Capital contribution from non-controlling interests		490	113	–
Business combination under common control	36	(71,989)	(448)	–
Withdrawal of restricted deposits		71,478	8,664	699
Proceeds from issue of shares		137,500	–	–
Net cash flows used in financing activities		(1,300,025)	(11,504)	(121,878)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,387,548	(443,687)	(682,696)
Cash and cash equivalents at beginning of year		3,492,247	5,889,399	5,451,296
Effect of foreign exchange differences, net		9,604	5,584	11,487
CASH AND CASH EQUIVALENTS AT END OF YEAR		5,889,399	5,451,296	4,780,087
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances		5,889,399	5,451,296	7,951,595
Current portion of long-term time deposits		–	–	85,297
Long-term time deposits		–	–	342,672
Cash and bank balances and long-term time deposits as stated in the consolidated statements of financial position	25	5,889,399	5,451,296	8,379,564
Less: Non-pledged time deposits with original maturity of more than three months when acquired		–	–	3,599,477
Cash and cash equivalents as stated in the consolidated statements of financial position		5,889,399	5,451,296	4,780,087

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December		
	Notes	**2022**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Investments in subsidiaries	*1*	143,393	303,393	701,393
Property, plant and equipment	*15*	992,815	1,022,247	1,292,921
Investment properties	*16*	5,199	2,188	2,081
Right-of-use assets	*17(a)*	234,103	258,383	346,718
Intangible assets	*18*	561,482	546,715	545,272
Investments in associates	*19*	297,667	307,515	307,695
Equity investments designated at fair value through other comprehensive income	*20*	3,765	3,117	3,595
Deferred tax assets	*30*	398,028	342,704	304,522
Long-term time deposits	*25*	–	–	342,672
Prepayments and other assets	*23*	2,199	91,938	–
Total non-current assets		2,638,651	2,878,200	3,846,869
CURRENT ASSETS				
Inventories and other contract costs	*21*	2,133,991	3,574,883	2,764,262
Trade and bills receivables	*22*	408,897	182,012	156,460
Prepayments, other receivables and other assets	*23*	154,675	499,698	940,866
Amounts due from subsidiaries	*22*	44,349	93,765	158,313
Financial assets at fair value through profit or loss	*24*	–	940,250	1,092,068
Current portion of long-term time deposits	*25*	–	–	85,297
Restricted deposits	*25*	770,991	892,813	1,502,903
Cash and bank balances	*25*	5,578,987	5,047,974	7,689,053
Total current assets		9,091,890	11,231,395	14,389,222
CURRENT LIABILITIES				
Trade and bills payables	*26*	6,411,239	7,471,666	11,578,804
Other payables and accruals	*27*	1,211,746	1,026,845	1,118,839
Amounts due to subsidiaries	*26, 27*	209,069	275,285	441,279
Contract liabilities	*28*	1,438,231	1,918,123	860,032
Lease liabilities	*17(b)*	7,413	26,562	37,596
Provisions	*31*	316,240	326,289	342,314
Tax payable		–	3	17,317
Total current liabilities		9,593,938	11,044,773	14,396,181

		As at 31 December		
	Notes	**2022**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
NET CURRENT (LIABILITIES)/ ASSETS		(502,048)	186,622	(6,959)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,136,603	3,064,822	3,839,910
NON-CURRENT LIABILITIES				
Deferred income	*32*	215,751	284,947	268,556
Lease liabilities	*17(b)*	4,741	15,838	17,464
Other payables and accruals	*27*	18,271	16,310	17,835
Total non-current liabilities		238,763	317,095	303,855
Net assets		1,897,840	2,747,727	3,536,055
EQUITY				
Paid-in capital	*34*	1,145,763	1,145,763	1,145,763
Reserves	*35*	752,077	1,601,964	2,390,292
Total equity		1,897,840	2,747,727	3,536,055

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Weichai Lovol Intelligent Agricultural Technology CO., LTD. (the "Company") was incorporated in the People's Republic of China (the "PRC") on 17 September 2004 as a joint stock limited liability company under the Company Law of the PRC. The registered office address of the Company is No. 192 Beihai South Road, Fangzi District, Weifang City, Shandong Province, China.

The Group underwent the development as set out in the paragraph headed "Establishment and Development of Our Company" in the section headed "History, Development and Corporate Structure" in the Document. During the Relevant Periods, the Group was principally engaged in the sale of agricultural equipment and three-wheeled vehicles.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, of which the principal subsidiaries are as follows:

Name	Place and date of registration and place of operations	Registered share capital	Direct	Indirect	Principal activities
Shandong Weichai Lovol Heavy Industry International Trading Co., Ltd. *(a, c)*	PRC/Mainland China 1 November 2005	RMB100,000,000	100%	–	Sale of agricultural equipment
Shandong Weichai Lovol Transmission Co., Ltd. *(a, c)*	PRC/Mainland China 28 June 2012	RMB76,000,000	100%	–	Manufacture and sale of transmission systems
Shandong Etian Network Technology Co., Ltd. *(a, c)*	PRC/Mainland China 4 March 2016	RMB150,000,000	100%	–	Development of agricultural network technology
Weichai Lovol (Weifang) Agricultural Equipment Co., Ltd. *(a, c)*	PRC/Mainland China 6 March 2023	RMB500,000,000	100%	–	Manufacture and sale of agricultural equipment
Shandong Baoding Agricultural Machinery Testing Co., Ltd. *(a, c)*	PRC/Mainland China 29 August 2017	RMB7,000,000	71.43%	–	Testing of agricultural machinery
Eitian Smart Agriculture Service (Zouping) Co., Ltd. *(b)*	PRC/Mainland China 7 June 2022	RMB5,000,000	–	51.00%	Provision of intelligent agricultural service
Shandong Hechuang Intelligent Agricultural Equipment Technology Co., Ltd. *(a, c)*	PRC/Mainland China 19 November 2018	RMB20,000,000	69.50%	6.10%	Development of agricultural equipment technology
Eitian Smart Agriculture Service (Gaomi) Co., Ltd. *(b)*	PRC/Mainland China 5 June 2023	RMB15,000,000	–	93.35%	Provision of intelligent agricultural service

The English names of the companies registered in the PRC represent the best efforts made by the management of the Company to translate the Chinese names of these companies as no English names have been registered.

Notes:

(a) The statutory financial statements for the years ended 31 December 2022 and 2023 and prepared under PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Ernst & Young Hua Ming.

(b) No statutory audited financial statements of these entities have been prepared since their incorporation.

(c) No audited financial statements have been prepared for these entities for the years ended 31 December 2024.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards, which comprise all accounting standards and Interpretations approved by the International Accounting Standards Board ("IASB"). All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2024, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention except for equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value.

Basis of consolidation

The financial statements include the financial statements of the Company and its subsidiaries for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

The Group has not applied the following new and revised IFRS Accounting Standards, that have been issued but are not yet effective, in the Historical Financial Information.

IFRS 18	*Presentation and Disclosure in Financial Statements*[3]
IFRS 19	*Subsidiaries without Public Accountability: Disclosures*[3]
Amendments to IFRS 9 and IFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[2]
Amendments to IFRS 9 and IFRS 7	*Contracts Referencing Nature-dependent Electricity*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IAS 21	*Lack of Exchangeability*[1]
Annual Improvements to IFRS Accounting Standards — Volume 11	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7[2]

1 Effective for annual periods beginning on or after 1 January 2025

2 Effective for annual periods beginning on or after 1 January 2026

3 Effective for annual/reporting periods beginning on or after 1 January 2027

4 No mandatory effective date yet determined but available for adoption

The application of IFRS 18 will have no impact on the consolidated statements of financial position of the Group, but will impact the presentation of the consolidated statements of profit or loss. Except for IFRS 18, the directors of the Company anticipate that the application of the new and revised IFRS Accounting Standards will have no material impact on the Group's financial performance and financial position in foreseeable future.

2.3 MATERIAL ACCOUNTING POLICIES

Investments in associates

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 investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of an associate is included in the consolidated statements of profit or loss and statements of comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the 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 its associates are eliminated to the extent of the Group's investments in the associates, 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 investments in associates.

Business combinations and goodwill

Business combinations not under common control

Business combinations not under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

Business combinations under common control

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in business combination under common control as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or businesses are consolidated using the carrying amount from the controlling party's perspective. No amount is recognised for goodwill or excess of the Group's interest in the book value of the net assets over cost at the time of the common control combination, to the extent of the continuation of the controlling party's interest. The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative financial data have been restated to reflect the business combinations under common control occurred during the Relevant Periods. Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses and other costs incurred in relation to the common control combination that is to be accounted for by using the merger accounting method are recognised as expenses in the period in which they are incurred.

Fair value measurement

The Group measures its equity investments 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 Historical Financial Information 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.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and other contract costs, deferred tax assets, financial assets, investment properties and non-current 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 the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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 the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis or double declining balance 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	2.38 to 20.00%
Motor vehicles	9.50 to 10.00%
Electronic and office equipment	19.00 to 25.00%
Machinery and others	6.33 to 20.00%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. Such properties are stated at cost less accumulated depreciation and accumulated impairment loss. Rental income from investment properties is accounted for as described in note 16.

Depreciation is calculated to write off the costs of investment properties, less their residual value of 0% to 4%, if any, using the straight-line method over their estimated useful lives of 20 to 50 years. Both the useful life and residual value, if any, are reviewed annually.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Software is stated at cost less any impairment losses and it amortised on the straight-line basis over its estimated useful life of 3 to 10 years, which is the licence period of the software.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

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 (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	30-50 years
Buildings	1-10 years
Motor vehicles	5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised 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 recognised 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 machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

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 amortised 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 the statement of profit or loss when the asset is derecognised, modified or impaired.

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.

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 the statement of 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.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group 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.

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 and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at 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.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as 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 and bills payables, other payables and accruals, and interest-bearing bank loans.

Subsequent measurement

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

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

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the on the weighted average basis 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 statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group provides for warranties in relation to the sale of certain agricultural equipment for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are initially recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate. The warranty-related cost is revised annually and presented in cost of sales in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, 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.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, 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 reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of 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.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

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.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Sale of products

The Group generates revenue from the sale of products, including agricultural equipment and other related products, which is recognised at the point in time when control of the asset 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.

Domestic sales business

The Group's agricultural equipment domestic sales business revenue is recognised upon control of the goods is transferred to the dealers.

Export business

The Group recognise revenue under the following terms: FOB (Free On Board), CFR (Cost and Freight), and CIF (Cost, Insurance and Freight): Revenue is recognised when goods are cleared for export, loaded onto the vessel, and control is transferred to the buyer. Ex Works (EXW): Revenue is recognised upon completion of delivery procedures to the customer or their designated carrier, when control of the goods is transferred.

Some contracts for the sale of products provide customers with rights of return and volume rebates, giving rise to variable consideration.

Rights of return

For sales with rights of return, the Group recognises revenue at the amount of consideration expected to be entitled to for transferring goods to customers when control of the related goods is transferred. A provision for sales returns is recognised for the refunds expected to be made. A recovery asset for return costs is recognised at the carrying amount of goods expected to be returned, adjusted for estimated costs to recover the goods (including impairment losses on returned inventory), and net of the carrying amount of transferred goods. Cost of sales is recognised as the net amount after deducting the above recovery asset from the carrying value of transferred goods. At each reporting date, the Group reassesses future return estimates and remeasures these assets and liabilities to reflect updated expectations.

Volume rebates

The Group's contracts with certain customers include sales rebate arrangements, resulting in variable consideration. The Group determines the best estimate of variable consideration using either the expected value or the most likely amount method, provided that the transaction price inclusive of variable consideration does not exceed the amount for which it is highly probable that cumulative recognised revenue will not be subject to significant reversal when the related uncertainty is resolved.

(b) Provision of agricultural and transportation services

Revenue from the provision of agricultural and transportation services is recognised over time, using an input method to measure progress towards complete satisfaction of the services, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the agricultural and transportation services.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

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 the statement of 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.

Right-of-return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the goods to be returned, less any expected costs to recover the goods and any potential decreases in the value of the returned goods. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned goods.

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Employee benefits

Pension scheme

The employees of the Group which operates in Mainland China 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

All 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.

Dividends

Dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed dividends are disclosed in the notes to the financial statements.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of each reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each reporting period 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 recognised 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 recognised in the statement of profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

Business model

The classification of financial assets at initial recognition depends on the business model of the Group's management of financial assets. In making judgements on the business model, the Group considers corporate appraisal, methods of reporting the results of financial assets to key management members, risks affecting the results of financial assets and its management, as well as the methods of remunerating relevant business managers and so forth. In assessing whether the objective is to collect contractual cash flows, the Group needs to analyse and make judgements on the reasons for disposing of the financial assets before maturity, time, frequency and value of the financial assets and so forth.

Deferred tax assets

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 the level of future taxable profits, together with future tax planning strategies.

The Group had tax losses of RMB7,845,000, RMB8,182,000 and RMB5,884,000 at 31 December 2022, 2023 and 2024, respectively, carried forward. These losses related to subsidiaries that have a history of losses, have not expired, and may not be used to offset taxable income elsewhere in the Group. The subsidiaries have neither any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward.

If the Group had been able to recognise all unrecognised deferred tax assets, the equity would have increased by RMB199,000, RMB456,000 and RMB364,000 at 31 December 2022, 2023 and 2024, respectively. Further details on deferred taxes are disclosed in note 30 to the Historical Financial Information.

Estimation uncertainty

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

Provision for expected credit losses on financial instruments

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future.

Inventory impairment

The Group, in accordance with its inventory accounting policies, measures inventories at the lower of cost and net realisable value and recognises inventory write-down provisions for inventories where cost exceeds net realisable value. The Group re-evaluates, at each reporting date, whether inventories are obsolete or slow-moving and whether their net realisable value remains below cost.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Warranty

The Group reasonably estimates warranty rates for portfolios of contracts with similar characteristics, based on historical warranty data, current warranty conditions, and all relevant factors such as product improvements and market changes. The estimated warranty rates may differ from actual future rates. The Group reassesses these rates at each reporting date and adjusts the provision for warranties based on the updated estimates.

Certain warranties provided by the Group are eligible for reimbursement from the Group's suppliers based on the contracts with them. When such supplier reimbursement is virtually certain, the Group records corresponding reversal of provision for warranties. Such reversal is presented in the statement of profit or loss.

In previous years, the Group was unable to accurately estimate the supplier reimbursement amount to offset against the Group additional provision for warranties due to the insufficient information available at the time of warranty provision assessment. Therefore, as a prudent measure, the Group did not estimate or recognize the supplier reimbursement amount at the time of warranty provision assessment and did not offset the corresponding amount against the additional provision for warranties.

In December 2023, the Group implemented an enterprise resource planning (ERP) system integration, which enabled us to obtain the relevant information required for the estimation of supplier reimbursement amount. Therefore, the Group is able to estimate the supplier reimbursement amount at the time of warranty provision assessment, and offset the corresponding amount against the additional provision for warranties. Since 2024, the Group evaluates the supplier reimbursement amount, and offset the corresponding amount against the additional provision for warranties. This accounting treatment has reduced costs of sales, and thereby increased the Group's net profit by RMB160,519,000 in 2024.

Variable consideration for returns and volume rebates

The Group estimates variable consideration to be included in the transaction price for the sale of industrial products with rights of return and volume rebates.

The Group makes reasonable estimates of return rates and volume rebates for contract portfolios with similar characteristics, based on historical and current sales data, comprehensive considerations of customer changes and market dynamics. These estimated rates may not align with the actual future return rates and volume rebates. The Group re-evaluates and adjusts these estimates at least at each reporting date, and determines the value of the variable consideration based on the revised rates.

4. OPERATING SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker. The chief operating decision maker ("CODM"), who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company. During the Relevant Periods, the Group is principally engaged in the sales of agricultural equipment and other related products. The CODM reviews the operating results of the Group's business as one operating segment for the purpose of making decisions about resource allocation and performance assessment. Therefore, the chief operating decision maker of the Company regards that there is only one segment which is used to make strategic decisions.

Geographical information

(a) Revenue from external customers

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Mainland China	15,001,050	13,419,145	15,668,005
Overseas	948,994	1,257,203	1,725,033
Total revenue	15,950,044	14,676,348	17,393,038

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 Mainland China. Thus, no geographic information is presented.

Information about a major customer

No revenue from sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for each of the Relevant Periods.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers			
Agricultural Machinery Sales	15,738,128	14,502,922	17,183,315
Others	211,916	173,426	209,723
Total	15,950,044	14,676,348	17,393,038

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Types of goods or services			
Agricultural Machinery Sales	15,738,128	14,502,922	17,183,315
Others	211,916	173,426	209,723
	15,950,044	14,676,348	17,393,038
Geographical market			
Mainland China	15,001,050	13,419,145	15,668,005
Overseas	948,994	1,257,203	1,725,033
	15,950,044	14,676,348	17,393,038
Timing of revenue recognition			
Revenue recognised over time	55,555	11,799	13,058
Revenue recognised at a point in time	15,894,489	14,664,549	17,379,980
	15,950,044	14,676,348	17,393,038

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

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognised that was included in contract liabilities at beginning of the year:			
Sale of products	2,069,216	1,515,341	1,921,899

(b) Performance obligations

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

Sale of domestic agricultural equipment

The performance obligation is satisfied upon dealers' reports of actual sales in the system and payment is generally due within 12 months from sales, except for certain customers, where payment in advance is normally required. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

Sale of export for agricultural equipment

The performance obligation is satisfied upon delivery of products and payment is generally due within 180 days from sales, except for certain customers, where payment in advance is normally required. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

Provision of agricultural and transportation services

The performance obligation is satisfied over time as services are rendered and payment is generally due upon completion of services. The unsatisfied performance obligation for agricultural and transportation services at the end of each of the Relevant Periods is not material.

Other Income and Gains

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Other income			
Government grants*	48,796	51,405	120,763
Additional tax deduction**	–	67,378	52,107
Interest income	161,745	133,968	129,450
Interest income from financial assets at fair value through profit or loss	20,832	8,082	26,334
Total other income	231,373	260,833	328,654
Gains			
Fair value gain on financial assets designated as at fair value through profit or loss	–	250	1,818
Gain on derecognition of financial assets measured at amortised cost	12,344	–	–
Gain on disposal of items of property, plant and equipment	673	4,065	1,023
Gain on disposal of investment properties	–	12,497	–
Loss on disposal of a subsidiary	(12,102)	–	–
Gain on disposal of associates	19,229	–	–
Gain on deemed disposal	–	18,618	–
Foreign exchange gains, net	11,616	9,120	13,702
Others	4,368	4,887	4,064
Total gains	36,128	49,437	20,607
Total other income and gains	267,501	310,270	349,261

* The government grants are issued by Chinese local government authorities to support the operational activities of the Group. There are no unfulfilled eligibility requirements and conditions relating to these government grants.

** The amounts represent the additional input value added tax deduction, pursuant to the announcement of the State Administration of Taxation.

6. OTHER EXPENSES

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Litigation compensation	17,322	237	18,839
Others	2,474	1,959	2,206
Total	19,796	2,196	21,045

7. PROFIT BEFORE TAX

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

		Year ended 31 December		
	Notes	2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*
Cost of inventories and services sold*		15,175,658	12,756,067	15,071,937
Depreciation of property, plant and equipment**	*15*	133,111	133,543	158,738
Depreciation of right-of-use assets**	*17(a)*	17,319	33,280	48,558
Amortisation of intangible assets**	*18*	11,127	18,270	5,541
Depreciation of investment properties**	*16*	201	248	133
Lease payments not included in the measurement of lease liabilities		16,882	22,903	12,971
Research and development costs		570,566	676,878	838,557
Fair value gain on financial assets at fair value through profit or loss		–	(250)	(1,818)
Foreign exchange differences, net		(11,616)	(9,120)	(13,702)
Interest income		(161,745)	(133,968)	(129,450)
Additional provision for warranties		266,034	166,871	(3,206)
Additional provision for litigation compensation		17,322	237	18,839
Reversal of impairment of financial assets		(9,532)	(31,827)	(17,441)
Gain on disposal of items of property, plant and equipment, net		(673)	(4,065)	(1,023)
Gains on disposal of investment property		–	(12,497)	–
Loss on disposal of a subsidiary		12,102	–	–
Gain on disposal of an item of investments in associates		(19,229)	–	–
Gain on derecognition of financial assets measured at amortised cost		(12,344)	–	–
Employee benefit expenses (including directors' and chief executive's remuneration *(note 9)*)				
Salaries, wages and other benefits		944,135	876,914	1,016,363
Pension scheme contributions		177,921	187,964	239,663

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

** The depreciation of property, plant and equipment, depreciation of investment properties, amortisation of intangible assets, and depreciation of right-of-use assets are included in "Cost of sales", "Selling and marketing expenses", "Administrative expenses", and "Research and development costs" in profit or loss.

8. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Interest on bank borrowings	2,917	–	–
Interest on lease liabilities	187	1,908	1,806
Total	3,104	1,908	1,806

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

(i) In November 2009 and December 2024, Mr. Wang Guimin was appointed as an executive director and the chairman of the board of directors of the Company, respectively.

(ii) In September 2021, Mr. Wang Junwei was appointed as an executive director of the Company.

(iii) In December 2024, Mr. Wang Jian and Mr. Liu Pengfei were appointed as executive directors of the Company.

(iv) In December 2024, Mr. Wang Decheng and Mr. Sun Chenglong were appointed as non-executive directors of the Company.

(v) Mr. Tan Xuguang was appointed as non-executive director of the Company and the chairman of the board of directors of the Company on August 2022 and resigned on July 2024.

(vi) Mr. Ma Changhai was appointed as non-executive director of the Company on April 2022 and resigned on December 2024.

(vii) Mr. Xu Hong was appointed as non-executive director of the Company on August 2019 and resigned on April 2022.

(viii) Mr. Jiang Ningtao and Mr. Wang Haiping were appointed as non-executive directors of the Company on September 2021 and resigned on August 2022.

(ix) Mr. Zhang Quan was appointed as non-executive directors of the Company on August 2019 and resigned on December 2024.

(x) Mr. Feng Gang was appointed as non-executive directors of the Company on September 2021 and resigned on December 2024.

Details of the remuneration received or receivable by the directors from the group entities are as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Fees:			
Directors	180	540	540
Other emoluments:			
Salaries, allowances and benefits in kind	1,092	1,081	1,106
Performance related bonuses*	1,144	1,186	1,434
Pension scheme contributions	171	230	248
Total	2,587	3,037	3,328

* Certain executive directors of the Company are entitled to bonus payments which are determined by key performance indicators.

(a) Independent non-executive directors

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

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Mrs. Yang Minli	60	180	180
Mr. Huang Botao	60	180	180
Mrs. Zhang Haiyan	60	180	180
Total	180	540	540

Mrs. Yang Minli, Mr. Huang Botao and Mrs. Zhang Haiyan were appointed as independent non-executive directors in August 2022.

(b) Executive directors, non-executive directors and the chief executive

Year ended 31 December 2022

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chief executive and executive director:					
Mr. Wang Guimin	–	830	832	128	1,790
Executive directors:					
Mr. Wang Junwei	–	262	312	43	617
Non-executive directors					
Mr. Xu Hong	–	–	–	–	–
Mr. Ma Changhai	–	–	–	–	–
Mr. Tan Xuguang	–	–	–	–	–
Mr. Zhang Quan	–	–	–	–	–
Mr. Feng Gang	–	–	–	–	–
Mr. Jiang Ningtao	–	–	–	–	–
Mr. Wang Haiping	–	–	–	–	–
Total	–	1,092	1,144	171	2,407

Year ended 31 December 2023

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chief executive and executive director:					
Mr. Wang Guimin	–	663	722	141	1,526
Executive director:					
Mr. Wang Junwei	–	418	464	89	971
Non-executive directors					
Mr. Ma Changhai	–	–	–	–	–
Mr. Tan Xuguang	–	–	–	–	–
Mr. Zhang Quan	–	–	–	–	–
Mr. Feng Gang	–	–	–	–	–
Total	–	1,081	1,186	230	2,497

Year ended 31 December 2024

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chief executive and executive director:					
Mr. Wang Guimin	–	586	840	147	1,573
Executive directors:					
Mr. Wang Junwei	–	476	540	93	1,109
Mr. Wang Jian	–	–	–	–	–
Mr. Liu Pengfei	–	44	54	8	106
Non-executive directors					
Mr. Ma Changhai	–	–	–	–	–
Mr. Tan Xuguang	–	–	–	–	–
Mr. Zhang Quan	–	–	–	–	–
Mr. Feng Gang	–	–	–	–	–
Mr. Sun Chenglong	–	–	–	–	–
Mr. Wang Decheng	–	–	–	–	–
Total	–	1,106	1,434	248	2,788

There was no arrangement under which a director waived or agreed to waive any remunerations during the Relevant Periods.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees in the Group for the years ended 31 December 2022, 2023 and 2024 included 1, 2 and 2 directors, respectively, details of whose remuneration are set out in note 9 above. Details of the remuneration for the remaining 4, 3 and 3 highest paid employees who are neither a director nor chief executive of the Company during the Relevant Periods are as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	1,991	1,212	1,423
Performance related bonuses	2,301	1,301	1,620
Pension scheme contributions	337	266	278
Total	4,629	2,779	3,321

The numbers of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands are as follows:

	Number of employees		
	Year ended 31 December		
	2022	2023	2024
HK$500,001 to HK$1,000,000	1	3	–
HK$1,000,001 to HK$1,500,000	3	–	3
Total	4	3	3

11. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdiction in which members of the Group are domiciled and operate.

Mainland China

The Company was recognised as a High-Tech Enterprise under relevant tax regulations in December 2021 and December 2024, thereby qualifying for a preferential corporate income tax rate of 15% during the Relevant Periods. This qualification is subject to triennial review by the Chinese tax authorities every three years.

One of the Group's Chinese subsidiaries, Shandong Weichai Lovol Transmission Co., Ltd., was recognised as a High-Tech Enterprise under relevant tax regulations in December 2020 and November 2023, thereby qualifying for a preferential corporate income tax rate of 15% during the relevant period. This qualification is subject to triennial review by the Chinese tax authorities every three years.

Certain of the Group's PRC subsidiaries are qualified as small and micro enterprises and were entitled to preferential corporate income tax rates of 2.5% to 10% during the year ended 31 December 2022 and 5% during the years ended 31 December 2023 and 2024, respectively.

Other than the aforementioned tax incentives, domestic subsidiaries not qualifying for preferential treatment are subject to the statutory corporate income tax rate of 25%.

The income tax expense of the Group for the Relevant Periods is analysed as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Current income tax	17,606	33,234	33,862
Deferred income tax	45,874	28,569	45,590
Total tax charge for the year from continuing operations	63,480	61,803	79,452
Total tax charge for the year from a discontinued operation	11,603	–	–
Total	75,083	61,803	79,452

A reconciliation of tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled and/or operate to the income tax expense at the effective income tax rate for each of the Relevant Periods are as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax from continuing operations	874,896	933,075	1,036,314
Loss before tax from a discontinued operation	(27,752)	–	–
Total	847,144	933,075	1,036,314
Tax charge at the preferential tax rate of 15%	127,072	139,961	155,447
Impact of different tax rate	6,369	3,694	4,411
Expenses not deductible for tax	8,964	1,647	3,351
Income not subject to tax	–	(2,793)	–
Additional deductible allowance for qualified research and development costs *(a)*	(74,678)	(83,730)	(88,945)
Additional deductible allowance for accelerated depreciation of equipment *(a)*	(1,901)	–	–

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Temporary differences and tax losses utilised from previous periods	(1,992)	(73)	(185)
Adjustments in respect of current tax of previous periods	–	2,861	4,148
Temporary differences and tax losses not recognised	11,249	236	1,225
Tax charge at the Group's effective tax rate	75,083	61,803	79,452
Tax charge from continuing operations at the effective rate	63,480	61,803	79,452
Tax charge from a discontinued operation at the effective rate	11,603	–	–

Based on Public Notice 2022 No. 28 issued by the State Tax Bureau of the PRC on 22 September 2022, the enterprises originally eligible for an additional 75% deduction of eligible R&D expenses can further enjoy an increased super deduction ratio of 100% from 1 October 2022 to 31 December 2022 (i.e., the fourth quarter of 2022). Furthermore, based on Public Notice 2023 No. 7 issued by the State Tax Bureau of the PRC on 26 March 2023, the enterprises were eligible for a 100% deduction of eligible R&D expenses from 1 January 2023. The Company has claimed such additional super deduction during the Relevant Periods.

12. DISCONTINUED OPERATION

On 13 July 2022, the Company's shareholders' meeting resolved to approve a spin-off reorganisation, under which the Company would remain in existence while deriving two newly incorporated entities: Shandong Qixing Machinery Manufacturing Co., Ltd. ("Qixing Machinery") and Shandong Wuxing Vehicles Co., Ltd. ("Wuxing Vehicles"). The Company would spin off the vehicle business related assets and liabilities to Wuxing Vehicles. On 31 August 2022, the Company executed an asset transfer agreement with Wuxing Vehicles, thereby completing the handover of assets and liabilities pursuant to the spin-off. For the year of 2022, Wuxing Vehicles were classified as a discontinued operation.

The results of Wuxing Vehicles for the year are presented below:

	2022
	RMB'000
Revenue	1,214,412
Expenses	(1,242,165)
Loss from the discontinued operation	(27,752)
Income tax	(11,603)
Loss for the year from the discontinued operation	(39,355)

The net cash flows incurred by Wuxing Vehicles are as follows:

	2022
	RMB'000
Operating activities	3,035
Investing activities	(741)
Financing activities	–
Net cash inflow	2,294
Loss per share:	
Basic and diluted, from the discontinued operation (RMB)	(0.03)

The calculations of basic and diluted earnings per share from the discontinued operation are based on:

	2022
	RMB'000
Loss attributable to ordinary equity holders of the parent from the discontinued operation	(39,355)
Weighted average number of ordinary shares outstanding during the year used in the basic earnings per share calculation *(note 14)*	1,186,740
Weighted average number of ordinary shares used in the diluted earnings per share calculation *(note 14)*	1,186,740

13. DIVIDENDS

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Interim	540,000	–	–
Final	421,182	–	114,576

14. 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 and the weighted average number of ordinary shares in issue during the Relevant Periods.

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

	Year ended 31 December		
	2022	2023	2024
Earnings			
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation: (RMB'000)			
From continuing operations	807,287	871,165	956,409
From a discontinued operation	(39,355)	–	–
Total	767,932	871,165	956,409
Shares			
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (thousand shares)	1,186,740	1,145,763	1,145,763
Earning/(loss) per share			
From continuing operations	0.68	0.76	0.83
From a discontinued operation	(0.03)	–	–

15. PROPERTY, PLANT AND EQUIPMENT

The Group

31 December 2022

	Buildings	Machinery and others	Electronic and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022						
Cost	1,373,621	1,144,469	83,672	20,228	74,131	2,696,121
Accumulated depreciation and impairment	(517,980)	(701,188)	(67,002)	(11,286)	–	(1,297,456)
Net carrying amount	855,641	443,281	16,670	8,942	74,131	1,398,665
At 1 January 2022, net of accumulated depreciation and impairment	855,641	443,281	16,670	8,942	74,131	1,398,665
Additions	483	31,787	11,151	5,844	113,697	162,962
Disposals	–	(3,779)	(55)	(989)	–	(4,823)
Depreciation provided during the year *(note 7)*	(42,187)	(80,866)	(8,239)	(1,819)	–	(133,111)
Transfer to investment properties	(3,479)	–	–	–	–	(3,479)
Transfers	4,982	69,937	6,199	–	(81,118)	–
Disposal of a subsidiary	–	–	(123)	–	–	(123)
Effects of a spin-off	(200,738)	(47,061)	(1,530)	(1,313)	–	(250,642)
At 31 December 2022, net of accumulated depreciation and impairment	614,702	413,299	24,073	10,665	106,710	1,169,449
At 31 December 2022 and 1 January 2023:						
Cost	1,014,656	1,060,256	85,515	20,291	106,710	2,287,428
Accumulated depreciation and impairment	(399,954)	(646,957)	(61,442)	(9,626)	–	(1,117,979)
Net carrying amount	614,702	413,299	24,073	10,665	106,710	1,169,449

31 December 2023

	Buildings	Machinery and others	Electronic and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023						
Cost	1,014,656	1,060,256	85,515	20,291	106,710	2,287,428
Accumulated depreciation and impairment	(399,954)	(646,957)	(61,442)	(9,626)	–	(1,117,979)
Net carrying amount	614,702	413,299	24,073	10,665	106,710	1,169,449
At 1 January 2023, net of accumulated depreciation and impairment	614,702	413,299	24,073	10,665	106,710	1,169,449
Additions	181	28,974	3,607	566	317,054	350,382
Disposals	(3,672)	(1,939)	(430)	(34)	–	(6,075)
Depreciation provided during the year *(note 7)*	(33,798)	(85,456)	(11,607)	(2,682)	–	(133,543)
Transfer to investment properties	(974)	–	–	–	–	(974)
Impairment	–	(388)	–	(9)	–	(397)
Transfer	1,783	121,576	11,705	769	(135,832)	1
At 31 December 2023, net of accumulated depreciation and impairment	578,222	476,066	27,348	9,275	287,932	1,378,843
At 31 December 2023 and 1 January 2024:						
Cost	1,004,567	1,190,175	90,368	21,334	287,932	2,594,376
Accumulated depreciation and impairment	(426,345)	(714,109)	(63,020)	(12,059)	–	(1,215,533)
Net carrying amount	578,222	476,066	27,348	9,275	287,932	1,378,843

31 December 2024

	Buildings	Machinery and others	Electronic and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2024						
Cost	1,004,567	1,190,175	90,368	21,334	287,932	2,594,376
Accumulated depreciation and impairment	(426,345)	(714,109)	(63,020)	(12,059)	–	(1,215,533)
Net carrying amount	578,222	476,066	27,348	9,275	287,932	1,378,843
At 1 January 2024, net of accumulated depreciation and impairment	578,222	476,066	27,348	9,275	287,932	1,378,843
Additions	155	6,746	22	328	760,432	767,683
Disposals	(1,042)	(1,845)	(565)	(144)	–	(3,596)
Depreciation provided during the year *(note 7)*	(33,804)	(111,133)	(10,737)	(3,064)	–	(158,738)
Impairment	–	(1,204)	–	–	–	(1,204)
Transfer	8,337	201,172	8,461	4,877	(222,847)	–
At 31 December 2024, net of accumulated depreciation and impairment	551,868	569,802	24,529	11,272	825,517	1,982,988
At 31 December 2024:						
Cost	1,011,103	1,383,336	85,032	25,163	825,517	3,330,151
Accumulated depreciation and impairment	(459,235)	(813,534)	(60,503)	(13,891)	–	(1,347,163)
Net carrying amount	551,868	569,802	24,529	11,272	825,517	1,982,988

The Company

31 December 2022

	Buildings	Machinery and others	Electronic and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022						
Cost	1,233,948	902,454	77,361	15,401	53,643	2,282,807
Accumulated depreciation and impairment	(471,930)	(569,103)	(62,225)	(8,510)	–	(1,111,768)
Net carrying amount	762,018	333,351	15,136	6,891	53,643	1,171,039
At 1 January 2022, net of accumulated depreciation and impairment	762,018	333,351	15,136	6,891	53,643	1,171,039
Additions	483	12,287	10,267	5,728	109,474	138,239
Disposals	316	(4,087)	(144)	(884)	–	(4,799)
Depreciation provided during the year *(note 7)*	(37,033)	(63,047)	(7,469)	(1,378)	–	(108,927)
Transfer to investment properties	(3,479)	–	–	–	–	(3,479)
Transfers	4,982	46,366	6,199	–	(57,547)	–
Effects of a spin-off	(179,696)	(18,095)	(1,085)	(382)	–	(199,258)
At 31 December 2022, net of accumulated depreciation and impairment	547,591	306,775	22,904	9,975	105,570	992,815
At 31 December 2022 and 1 January 2023:						
Cost	912,543	852,736	80,493	18,032	105,570	1,969,374
Accumulated depreciation and impairment	(364,952)	(545,961)	(57,589)	(8,057)	–	(976,559)
Net carrying amount	547,591	306,775	22,904	9,975	105,570	992,815

31 December 2023

	Buildings	Machinery and others	Electronic and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023						
Cost	912,543	852,736	80,493	18,032	105,570	1,969,374
Accumulated depreciation and impairment	(364,952)	(545,961)	(57,589)	(8,057)	–	(976,559)
Net carrying amount	547,591	306,775	22,904	9,975	105,570	992,815
At 1 January 2023, net of accumulated depreciation and impairment	547,591	306,775	22,904	9,975	105,570	992,815
Additions	–	7,953	2,868	239	134,353	145,413
Disposals	(3,672)	(2,122)	(429)	(34)	–	(6,257)
Depreciation provided during the year *(note 7)*	(29,840)	(65,015)	(11,445)	(2,450)	–	(108,750)
Transfer to investment properties	(974)	–	–	–	–	(974)
Transfer	1,783	107,981	11,705	769	(122,238)	–
At 31 December 2023, net of accumulated depreciation and impairment	514,888	355,572	25,603	8,499	117,685	1,022,247
At 31 December 2023 and 1 January 2024:						
Cost	902,272	952,259	84,628	18,748	117,685	2,075,592
Accumulated depreciation and impairment	(387,384)	(596,687)	(59,025)	(10,249)	–	(1,053,345)
Net carrying amount	514,888	355,572	25,603	8,499	117,685	1,022,247

31 December 2024

	Buildings	Machinery and others	Electronic and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2024						
Cost	902,272	952,259	84,628	18,748	117,685	2,075,592
Accumulated depreciation and impairment	(387,384)	(596,687)	(59,025)	(10,249)	–	(1,053,345)
Net carrying amount	514,888	355,572	25,603	8,499	117,685	1,022,247
At 1 January 2024, net of accumulated depreciation and impairment	514,888	355,572	25,603	8,499	117,685	1,022,247
Additions	154	5,769	23	328	395,710	401,984
Disposals	(833)	(4,027)	(552)	(56)	–	(5,468)
Depreciation provided during the year *(note 7)*	(29,767)	(83,433)	(9,683)	(2,959)	–	(125,842)
Transfer	7,039	147,287	5,885	4,722	(164,933)	–
At 31 December 2024, net of accumulated depreciation and impairment	491,481	421,168	21,276	10,534	348,462	1,292,921
At 31 December 2024:						
Cost	907,510	1,090,873	77,045	22,837	348,462	2,446,727
Accumulated depreciation and impairment	(416,029)	(669,705)	(55,769)	(12,303)	–	(1,153,806)
Net carrying amount	491,481	421,168	21,276	10,534	348,462	1,292,921

16. INVESTMENT PROPERTIES

The Group and the Company

31 December 2022

	Land	Building	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January:			
Cost	869	5,823	6,692
Accumulated depreciation and impairment	(260)	(3,400)	(3,660)
Net carrying amount	609	2,423	3,032
At 1 January, net of accumulated depreciation and impairment	609	2,423	3,032
Transfer from property, plant and equipment	3,479	3,479	
Effects of a spin-off	(597)	(514)	(1,111)
Depreciation provided during the year	(12)	(189)	(201)
At 31 December:	–	5,199	5,199
At 31 December:			
Cost	–	22,788	22,788
Accumulated depreciation and impairment	–	(17,589)	(17,589)
Net carrying amount	–	5,199	5,199

31 December 2023

	Building
	RMB'000
At 1 January:	
Cost	22,788
Accumulated depreciation and impairment	(17,589)
Net carrying amount	5,199
At 1 January, net of accumulated depreciation and impairment	5,199
Transfer from Property, plant and equipment	974
Disposal	(3,737)
Depreciation provided during the year	(248)
At 31 December:	2,188
At 31 December:	
Cost	6,585
Accumulated depreciation and impairment	(4,397)
Net carrying amount	2,188

31 December 2024

	Building
	RMB'000
At 1 January:	
Cost	6,585
Accumulated depreciation and impairment	(4,397)
Net carrying amount	2,188
At 1 January, net of accumulated depreciation and impairment	2,188
Addition	26
Depreciation provided during the year	(133)
At 31 December:	2,081
At 31 December:	
Cost	6,611
Accumulated depreciation and impairment	(4,530)
Net carrying amount	2,081

17. INTANGIBLE ASSETS

The Group

31 December 2022

	Trademark rights	Software	Other	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January:				
Cost	530,189	163,449	3,917	697,555
Accumulated amortisation	–	(121,384)	(3,724)	(125,108)
Net carrying amount	530,189	42,065	193	572,447
Cost at 1 January, net of accumulated amortisation	530,189	42,065	193	572,447
Additions	–	6,615	–	6,615
Disposal of a subsidiary	–	(40)	–	(40)
Effects of a spin-off	–	(1,220)	–	(1,220)
Amortisation provided during the year	–	(10,934)	(193)	(11,127)
At 31 December:	530,189	36,486	–	566,675
At 31 December:				
Cost	530,189	155,136	–	685,325
Accumulated amortisation	–	(118,650)	–	(118,650)
Net carrying amount	530,189	36,486	–	566,675

31 December 2023

	Trademark rights	Software	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January:			
Cost	530,189	155,136	685,325
Accumulated amortisation	–	(118,650)	(118,650)
Net carrying amount	530,189	36,486	566,675
Cost at 1 January, net of accumulated amortisation	530,189	36,486	566,675
Additions	–	35	35
Amortisation provided during the year	–	(18,270)	(18,270)
At 31 December:	530,189	18,251	548,440
At 31 December:			
Cost	530,189	155,171	685,360
Accumulated amortisation	–	(136,920)	(136,920)
Net carrying amount	530,189	18,251	548,440

31 December 2024

	Trademark rights	Software	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January:			
Cost	530,189	155,171	685,360
Accumulated amortisation	–	(136,920)	(136,920)
Net carrying amount	530,189	18,251	548,440
Cost at 1 January, net of accumulated amortisation	530,189	18,251	548,440
Addition	–	3,083	3,083
Amortisation provided during the year	–	(5,541)	(5,541)
At 31 December:	530,189	15,793	545,982
At 31 December:			
Cost	530,189	158,233	688,422
Accumulated amortisation	–	(142,440)	(142,440)
Net carrying amount	530,189	15,793	545,982

The Company

31 December 2022

	Trademark rights	Software	Other	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January:				
Cost	530,189	148,327	617	679,133
Accumulated amortisation	–	(113,684)	(617)	(114,301)
Net carrying amount	530,189	34,643	–	564,832
Cost at 1 January, net of accumulated amortisation	530,189	34,643	–	564,832
Additions	–	5,585	–	5,585
Effects of a spin-off	–	(1,181)	–	(1,181)
Amortisation provided during the year	–	(7,754)	–	(7,754)
At 31 December:	530,189	31,293	–	561,482
At 31 December:				
Cost	530,189	139,724	–	669,913
Accumulated amortisation	–	(108,431)	–	(108,431)
Net carrying amount	530,189	31,293	–	561,482

31 December 2023

	Trademark rights	Software	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January:			
Cost	530,189	139,724	669,913
Accumulated amortisation	–	(108,431)	(108,431)
Net carrying amount	530,189	31,293	561,482
Cost at 1 January, net of accumulated amortisation	530,189	31,293	561,482
Additions	–	2,273	2,273
Amortisation provided during the year	–	(17,040)	(17,040)
At 31 December:	530,189	16,526	546,715
At 31 December:			
Cost	530,189	141,996	672,185
Accumulated amortisation	–	(125,470)	(125,470)
Net carrying amount	530,189	16,526	546,715

31 December 2024

	Trademark rights	Software	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January:			
Cost	530,189	141,996	672,185
Accumulated amortisation	–	(125,470)	(125,470)
Net carrying amount	530,189	16,526	546,715
Cost at 1 January, net of accumulated amortisation	530,189	16,526	546,715
Addition	–	3,083	3,083
Amortisation provided during the year	–	(4,526)	(4,526)
At 31 December:	530,189	15,083	545,272
At 31 December:			
Cost	530,189	145,079	675,268
Accumulated amortisation	–	(129,996)	(129,996)
Net carrying amount	530,189	15,083	545,272

18. LEASES

The Group as a lessee

The Group has lease contracts for buildings. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 30 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings and motor vehicles generally have lease terms of 1 to 10 years.

(a) Right-of-use assets

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

The Group

	Leasehold land	Buildings	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	372,759	12,787	348	385,894
Additions	–	10,448	–	10,448
Disposal	–	–	(247)	(247)
Effects of a spin-off	(103,601)	(2,855)	–	(106,456)
Depreciation charge	(9,847)	(7,371)	(101)	(17,319)
At 31 December 2022 and 1 January 2023	259,311	13,009	–	272,320
Additions	69,897	61,431	443	131,771
Depreciation charge	(9,049)	(24,216)	(15)	(33,280)
At 31 December 2023 and 1 January 2024	320,159	50,224	428	370,811
Additions	83,551	49,016	–	132,567
Disposal	–	(91)	–	(91)
Depreciation charge	(11,186)	(37,283)	(89)	(48,558)
At 31 December 2024	392,524	61,866	339	454,729

The Company

	Leasehold land	Buildings	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	331,745	–	–	331,745
Additions	–	7,311	–	7,311
Disposal	–	–	–	–
Effects of a spin-off	(102,169)	7,911	–	(94,258)
Depreciation charge	(8,383)	(2,312)	–	(10,695)
At 31 December 2022 and 1 January 2023	221,193	12,910	–	234,103
Additions	435	53,528	443	54,406
Depreciation charge	(6,240)	(23,871)	(15)	(30,126)
At 31 December 2023 and 1 January 2024	215,388	42,567	428	258,383
Additions	83,551	48,747	–	132,298
Disposal	–	(92)	–	(92)
Depreciation charge	(7,915)	(35,867)	(89)	(43,871)
At 31 December 2024	291,024	55,355	339	346,718

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

The Group

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at 1 January	13,329	12,256	49,369
Additions	10,448	61,874	49,016
Accretion of interest recognised during the year	187	1,908	1,806
Effects of a spin-off	(2,855)	–	–
Settlements without payment	(6,477)	(6,635)	(8,717)
Lease payment	(2,376)	(20,034)	(30,749)
Carrying amount at 31 December	12,256	49,369	60,725
Analysed into:			
Current portion	7,427	28,007	38,995
Non-current portion	4,829	21,362	21,730

The Company

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at 1 January	8,436	12,154	42,401
Additions	11,208	53,971	48,447
Accretion of interest recognised during the year	78	1,631	1,492
Settlements without payment	(6,202)	(6,458)	(8,470)
Lease payment	(1,366)	(18,897)	(28,810)
Carrying amount at 31 December	12,154	42,401	55,060
Analysed into:			
Current portion	7,413	26,562	37,596
Non-current portion	4,741	15,839	17,464

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

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Interest on lease liabilities	187	1,908	1,806
Depreciation charge of right-of-use assets	17,319	33,280	48,558
Expense related to short-term leases	16,882	22,903	12,971
Total amount recognised in profit or loss	34,388	58,091	63,335

(d) The total cash outflow for leases is disclosed in note 39(b) to the Historical Financial Information.

19. INVESTMENTS IN ASSOCIATES

The Group and the Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Share of net assets	297,667	307,515	307,695

Particulars of the associates are as follows:

Name	Registered capital	Place of registration and business	Percentage of ownership interest attributable to the Group as at 31 December 2024	Principal activities
Weichai Intelligent Technology Co., Ltd. ("Weichai Intelligent Technology") *(a) (b)*	RMB633,180,000	PRC/Mainland China	7.50%	Provision of intelligent logistics
Weichai (Qingdao) Intelligent Heavy Industry Co., Ltd. ("Weichai Intelligent Heavy Industry") *(c)*	RMB600,000,000	PRC/Mainland China	45%	Manufacturing of Excavators

(a) Effective 15 January 2025, Weichai Intelligent Technology be renamed Shandong Tongxin Zhixing Digital Intelligence Technology Co., Ltd.

(b) In accordance with the amended articles of association of Weichai Intelligent Technology, the Company has the right to appoint one director and exercises significant influence over its financial and operating policies. Consequently, Weichai Intelligent Technology is classified as an associate of the Company.

In September 2023, China National Heavy Duty Truck Group Jinan Power Co., Ltd. ("Jinan Power"), a shareholder of Weichai Intelligent Technology, unilaterally increased its capital contribution to Weichai Intelligent Technology by RMB400,000,000. As a result, the Company's equity stake in Weichai Intelligent Technology decreased from 19% to 7.5%. Pursuant to the amended Articles of Association, the Company retains the right to appoint one director and continues to exercise significant influence over Weichai Intelligent Technology. Consequently, Weichai Intelligent Technology is classified as an associate of the Company.

(c) In accordance with the articles of association of Weichai Intelligent Heavy Industry, the Company has the ability to exercise significant influence over its financial and operating policies. Therefore, Weichai Intelligent Heavy Industry is classified as an associate of the Company.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Share of the associates' (loss)/profit for the year	(20,472)	(8,769)	179
Share of the associates' total comprehensive (loss)/income	(20,472)	(8,769)	179
Aggregate carrying amount of the Group's investments in the associates	297,667	307,515	307,695

20. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group and the Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
[**REDACTED**] equity investments	3,765	3,117	3,595

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.

21. INVENTORIES AND OTHER CONTRACT COSTS

The Group

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	234,980	237,101	279,150
Semi-finished goods	105,353	128,635	152,792
Finished goods	1,883,931	3,251,603	2,388,453
Contract cost	26,293	24,819	11,561
Total	2,250,557	3,642,158	2,831,956

The Company

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	202,286	217,688	263,654
Semi-finished goods	94,103	119,773	124,442
Finished goods	1,811,309	3,212,603	2,365,031
Contract cost	26,293	24,819	11,135
Total	2,133,991	3,574,883	2,764,262

22. TRADE AND BILLS RECEIVABLES

The Group

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	1,037,929	842,798	607,920
Bills receivable	66,455	36,097	23,646
Less: Impairment of trade and bills receivables	(474,601)	(443,542)	(86,705)
Total	629,783	435,353	544,861

The Group's trading terms with its certain customers are on credit, and the credit period is generally 60 to 180 days. The Group seeks to maintain strict control over its outstanding trade receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

As at 31 December 2024, the bills receivable held by the Group with a net carrying amount of approximately RMB11,280,000 were pledged for the issuance of notes payable.

An ageing analysis of the trade and bills receivables as at the end of each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	591,156	402,237	536,720
1 to 2 years	17,077	22,153	6,237
2 to 3 years	16,936	2,875	1,804
Over 3 years	4,614	8,088	100
Total	629,783	435,353	544,861

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

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	484,199	474,601	443,542
Effects of a spin-off	5,930	–	–
Impairment losses/(reversal), net *(note 7)*	(11,257)	(32,913)	(17,140)
Amount written off as uncollectible	(4,271)	–	(339,697)
Other addition	–	1,854	–
At end of year	474,601	443,542	86,705

Bank acceptance bills that are measured at fair value through other comprehensive income are considered as having very low credit risk and the loss allowance is assessed to be minimal.

The Group applies the simplified approach in calculating ECLs for trade receivables and commercial acceptance bills. Trade receivables and commercial acceptance bills relating to customers not sharing similar credit risk with others are assessed individually for impairment allowance, for instance, customers with known financial difficulties or significant doubt on collection. The remaining trade receivables and commercial acceptance bills are grouped and collectively assessed for impairment allowance. Under the collective approach, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on past due information for grouping of customers that have 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 date about past events, current conditions and forecasts of future economic conditions.

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

As at 31 December 2022

	Current to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
On a collective basis:					
Expected credit loss rate	2.67%	18.72%	43.34%	79.97%	6.49%
Gross carrying amount (RMB'000)	532,393	19,405	26,595	11,042	589,435
Expected credit losses (RMB'000)	14,238	3,633	11,526	8,831	38,228
On an individual basis:					
Expected credit loss rate					84.74%
Gross carrying amount (RMB'000)					514,949
Expected credit losses (RMB'000)					436,373

As at 31 December 2023

	Current to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
On a collective basis:					
Expected credit loss rate	4.39%	23.83%	50.37%	78.81%	7.84%
Gross carrying amount (RMB'000)	372,662	1,931	5,162	14,590	394,345
Expected credit losses (RMB'000)	16,372	460	2,600	11,499	30,931
On an individual basis:					
Expected credit loss rate					85.15%
Gross carrying amount (RMB'000)					484,550
Expected credit losses (RMB'000)					412,611

As at 31 December 2024

	Current to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
On a collective basis:					
Expected credit loss rate	2.54%	30.53%	–	100.00%	2.93%
Gross carrying amount (RMB'000)	502,112	5,594	–	380	508,086
Expected credit losses (RMB'000)	12,775	1,708	–	380	14,863
On an individual basis:					
Expected credit loss rate					58.18%
Gross carrying amount (RMB'000)					123,480
Expected credit losses (RMB'000)					71,842

The Company

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	837,249	584,358	202,669
Bills receivable	18,693	11,473	11,351
Less: Impairment of trade and bills receivables	(447,045)	(413,819)	(57,560)
Total	408,897	182,012	156,460

An ageing analysis of the trade and bills receivables as at the end of each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	374,295	156,269	150,653
1 to 2 years	12,722	19,168	3,903
2 to 3 years	17,185	5,666	1,804
Over 3 years	4,695	909	100
Total	408,897	182,012	156,460

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

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	469,213	447,045	413,819
Effects of a spin-off	(439)	–	–
Impairment losses/(reversal), net	(18,518)	(35,080)	(16,637)
Amount written off as uncollectible	(3,211)	–	(339,622)
Other addition	–	1,854	–
At end of year	447,045	413,819	57,560

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

As at 31 December 2022

	Current to one year	1 to 2 years	2 to 3 years	Over 3 years	Total
On a collective basis:					
Expected credit loss rate	4.07%	19.52%	41.08%	75.46%	8.89%
Gross carrying amount (RMB'000)	340,211	17,024	25,997	9,343	392,575
Expected credit losses (RMB'000)	13,844	3,323	10,680	7,050	34,897
On an individual basis:					
Expected credit loss rate					88.95%
Gross carrying amount (RMB'000)					463,367
Expected credit losses (RMB'000)					412,148

As at 31 December 2023

	Current to one year	1 to 2 years	2 to 3 years	Over 3 years	Total
On a collective basis:					
Expected credit loss rate	3.50%	23.97%	50.37%	78.81%	11.66%
Gross carrying amount (RMB'000)	147,391	1,902	5,162	14,591	169,046
Expected credit losses (RMB'000)	5,160	456	2,600	11,499	19,715
On an individual basis:					
Expected credit loss rate					92.34%
Gross carrying amount (RMB'000)					426,785
Expected credit losses (RMB'000)					394,104

As at 31 December 2024

	Current to one year	1 to 2 years	2 to 3 years	Over 3 years	Total
On a collective basis:					
Expected credit loss rate	2.85%	15.60%	–	99.74%	3.24%
Gross carrying amount (RMB'000)	154,671	1,840	–	381	156,892
Expected credit losses (RMB'000)	4,413	287	–	380	5,080
On an individual basis:					
Expected credit loss rate					91.86%
Gross carrying amount (RMB'000)					57,128
Expected credit losses (RMB'000)					52,480

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from subsidiaries	44,349	93,765	158,313

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Current:			
Advances to suppliers	49,931	64,354	141,452
Deposits	13,066	12,989	3,893
Value added tax ("VAT") recoverable	80,263	425,165	825,970
Amounts due from related parties	634,910	622,715	622,715
Amounts due from third parties	125,257	129,992	144,681
Others	12,476	19,930	4,263
Less: impairment	(739,264)	(740,350)	(739,075)
	176,639	534,795	1,003,899
Non-current:			
Advances for land and equipment purchases	14,780	91,939	–

As there was no 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). As at 31 December 2022, 2023 and 2024, the credit rating of other receivables was performed. The Group assessed that the expected credit losses for these receivables were not material under the 12-month expected loss method. In view of the history of cooperation with debtors and the sound collection history of receivables, management believes that the credit risk inherent in the outstanding other receivable balances of the Group is not significant.

The Company

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Current:			
Advances to suppliers	40,382	60,048	137,356
Deposits	11,702	12,342	3,454
VAT recoverable	81,156	18,034	788,103
Amounts due from related parties	660,663	622,708	622,708
Amounts due from third-parties	117,967	525,672	125,841
Others	7,569	1,001	2,244
Less: impairment	(764,764)	(740,107)	(738,840)
	154,675	499,698	940,866
Non-current:			
Advances for land and equipment purchases	2,199	91,938	–

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group and the Company

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Structured deposits	–	940,250	1,092,068

The structured deposits were issued by banks in Mainland China. 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. The interest rates fluctuate within the range of 0.84% to 3.46%, hooked onto the SHGFGOAM INDEX and BFIX AUDNZD, USDCAD and EURUSD exchange rates.

25. CASH AND BANK BALANCES AND RESTRICTED DEPOSITS AND TIME DEPOSITS

The Group

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Cash on hand and cash at banks	5,889,399	5,451,296	4,780,087
Short-term bank deposits	–	–	3,171,508
Cash and bank balances	5,889,399	5,451,296	7,951,595
Restricted bank deposits*	820,295	973,586	1,688,104
Current portion of long-term time deposits	–	–	85,297
Long-term time deposits	–	–	342,672
Denominated in			
Cash and bank balances			
RMB	5,747,733	5,296,756	7,848,616
USD	77,352	106,168	54,742
EUR	64,314	48,372	48,237
	5,889,399	5,451,296	7,951,595

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Restricted cash			
RMB	820,295	973,586	1,688,104
Current portion of long-term time deposits			
RMB	–	–	85,297
Long-term time deposits			
RMB	–	–	342,672

* Certain bank deposits are pledged for the issuance of bills payable and letters of guarantee.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and restricted deposits are deposited with creditworthy banks with no recent history of default.

The Company

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Cash on hand and cash at banks	5,578,987	5,047,974	4,542,390
Short-term bank deposits	–	–	3,146,663
Cash and bank balances	5,578,987	5,047,974	7,689,053
Restricted bank deposits*	770,991	892,813	1,502,903
Current portion of long-term time deposits	–	–	85,297
Long-term time deposits	–	–	342,672
Denominated in			
Cash and bank balances			
RMB	5,519,440	4,992,819	7,636,468
USD	33,012	19,607	10,435
EUR	26,535	35,548	42,150
	5,578,987	5,047,974	7,689,053
Restricted cash			
RMB	770,991	892,813	1,502,903
Current portion of long-term time deposits			
RMB	–	–	85,297
Long-term time deposits			
RMB	–	–	342,672

26. TRADE AND BILLS PAYABLES

The Group

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	3,191,539	3,955,863	4,200,256
Bills payable	3,776,525	4,168,745	8,168,459
Total	6,968,064	8,124,608	12,368,715

The trade payables of 30 to 90 days are non-interest-bearing and are normally settled on 30-90 day terms.

An ageing analysis of the trade and bills payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	6,857,334	8,056,929	12,275,328
1 to 2 years	21,996	12,947	44,191
2 to 3 years	23,228	4,608	6,675
Over 3 years	65,506	50,124	42,521
Total	6,968,064	8,124,608	12,368,715

The Company

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	2,910,636	3,675,874	3,875,540
Bills payable	3,500,603	3,795,792	7,703,264
Total	6,411,239	7,471,666	11,578,804

An ageing analysis of the trade and bills payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	6,315,778	7,417,357	11,503,484
1 to 2 years	16,779	9,762	35,238
2 to 3 years	21,717	4,224	4,616
Over 3 years	56,965	40,323	35,466
Total	6,411,239	7,471,666	11,578,804

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from subsidiaries	209,069	273,685	441,279

27. OTHER PAYABLES AND ACCRUALS

The Group

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Current:			
Payroll and welfare payable	199,727	178,797	188,852
Other tax payables	122,718	82,770	66,264
Accruals	675,230	517,032	632,780
Deposits	208,732	233,303	230,884
Payables for purchase of non-current assets	62,085	79,361	51,824
Other payables	31,474	31,470	30,786
	1,299,966	1,122,733	1,201,390
Non-current:			
Payroll and welfare payable	20,781	17,797	18,995

Other payables are non-interest-bearing, unsecured and repayable on demand.

The Company

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Current:			
Payroll and welfare payable	179,840	157,561	169,928
Other tax payables	121,131	80,839	61,468
Accruals	194,625	227,238	221,962
Deposits	628,331	464,623	593,147
Payables for purchase of non-current assets	59,245	65,630	43,133
Other payables	28,574	30,954	29,201
	1,211,746	1,026,845	1,118,839
Non-current:			
Payroll and welfare payable	18,271	16,310	17,835

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from a subsidiary	–	1,600	–

28. CONTRACT LIABILITIES

The Group

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Sales of merchandise	1,515,341	2,022,496	970,808

Contract liabilities include advances received from customers for sales of agricultural equipment. The increase in contract liabilities as at 31 December 2023 and the decrease in contract liabilities as at 31 December 2024 were mainly due to the increase or decrease of short-term advances received from customers in relation to the sale of equipment at the end of those years.

The Company

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Sales of merchandise	1,438,231	1,918,123	860,032

29. INTEREST-BEARING BANK BORROWINGS

	At 31 December								
	2022			2023			2024		
	Effective interest rate (%)	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*
Current									
Bank loans – unsecured	–	–	–	–	–	–	2.60	2025	22,523

Note: As at 31 December 2024, all of the Group's bank borrowings are denominated in RMB, interest-bearing at fixed rates and repayable within one year.

30. DEFERRED TAX

The Group

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities:

	Fair value adjustments arising from acquisition of subsidiaries	Fair value adjustments of equity investments designated at fair value through other comprehensive income	Depreciation allowance in excess of related depreciation	Amortization of Trademark	Right-of-use assets	Fair value adjustments of financial assets at fair value through profit and loss	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	442	5	6,084	7,953	1,248	–	15,732
Deferred tax (credited)/charged to other comprehensive income during the year	–	86	–	–	–	–	86
Deferred tax (credited)/charged to profit or loss during the year	(197)	–	13,228	7,953	575	–	21,559
At 31 December 2022 and 1 January 2023	245	91	19,312	15,906	1,823	–	37,377
Deferred tax (credited)/charged to other comprehensive income during the year	–	(91)	–	–	–	–	(91)
Deferred tax (credited)/charged to profit or loss during the year	(197)	–	12,691	7,952	4,537	38	25,021
At 31 December 2023 and 1 January 2024	48	–	32,003	23,858	6,360	38	62,307
Deferred tax credited/(charged) to other comprehensive income during the year	–	65	–	–	–	–	65
Deferred tax (credited)/charged to profit or loss during the year	(48)	–	8,162	7,953	1,899	272	18,238
At 31 December 2024	–	65	40,165	31,811	8,259	310	80,610

Deferred tax assets:

	Impairment	Unrecognised profit	Accrued expense	Provision	Payroll	Deferred income	Lease liabilities	Losses available for offsetting against future taxable profits assets	Fair value adjustments of equity investments designated at fair value through other comprehensive income	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	221,131	3,708	51,456	50,829	12,287	29,827	1,248	124,633	–	495,119
Effects of a spin-off	(2,851)	–	–	–	–	–	–	–	–	(2,851)
Deferred tax credited/ (charged) to profit or loss during the year	(8,104)	(1,860)	20,422	5,471	17,233	5,558	575	(75,211)	–	(35,916)
At 31 December 2022 and 1 January 2023	210,176	1,848	71,878	56,300	29,520	35,385	1,823	49,422	–	456,352
Deferred tax credited to other comprehensive income during the year	–	–	–	–	–	–	–	–	6	6
Deferred tax credited/ (charged) to profit or loss during the year	(4,136)	1,242	(14,867)	4,890	(5,170)	25,351	4,537	(15,395)	–	(3,548)
At 31 December 2023 and 1 January 2024	206,040	3,090	57,011	61,190	24,350	60,736	6,360	34,027	6	452,810
Deferred tax charged to other comprehensive income during the year	–	–	–	–	–	–	–	–	(6)	(6)
Deferred tax credited/(charged) to profit or loss during the year	(57,509)	350	64,652	(2,740)	1,180	(2,748)	1,899	(32,435)	–	(27,351)
At 31 December 2024	148,531	3,440	121,663	58,450	25,530	57,988	8,259	1,592	–	425,453

The Company

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities:

	Fair value adjustments of equity investments designated at fair value through other comprehensive income	Depreciation allowance in excess of related depreciation	Amortisation of trademark	Right-of-use assets	Fair value adjustments of financial assets at fair value through profit and loss	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	5	6,084	7,953	–	–	14,042
Deferred tax (credited)/ charged to other comprehensive income during the year	86	–	–	–	–	86
Deferred tax (credited)/ charged to profit or loss during the year	–	9,508	7,953	1,823	–	19,284
At 31 December 2022 and 1 January 2023	91	15,592	15,906	1,823	–	33,412
Deferred tax (credited)/ charged to other comprehensive income during the year	(91)	–	–	–	–	(91)
Deferred tax (credited)/ charged to profit or loss during the year	–	10,994	7,952	4,537	38	23,521
At 31 December 2023 and 1 January 2024	–	26,586	23,858	6,360	38	56,842
Deferred tax (credited)/ charged to other comprehensive income during the year	65	–	–	–	–	65
Deferred tax (credited)/ charged to profit or loss during the year	–	4,731	7,953	1,899	272	14,855
At 31 December 2024	65	31,317	31,811	8,259	310	71,762

Deferred tax assets:

	Impairment	Unrecognised profit	Accrued expense	Provision	Payroll	Deferred income	Lease liabilities	Losses available for offsetting against future taxable profits assets	Fair value adjustments of equity investments designated at fair value through other comprehensive income	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	220,733	–	48,733	42,123	10,787	26,588	–	124,633	–	473,597
Effects of a spin-off	(2,851)	–	–	–	–	–	–	–	–	(2,851)
Deferred tax credited/(charged) to profit or loss during the year	(12,819)	–	23,145	2,715	15,267	5,774	1,823	(75,211)	–	(39,306)
At 31 December 2022 and 1 January 2023	205,063	–	71,878	44,838	26,054	32,362	1,823	49,422	–	431,440
Deferred tax credited to other comprehensive income during the year	–	–	–	–	–	–	–	–	6	6
Deferred tax credited/(charged) to profit or loss during the year	(10,572)	–	(16,196)	1,471	(4,996)	10,380	4,537	(16,524)	–	(31,900)
At 31 December 2023 and 1 January 2024	194,491	–	55,682	46,309	21,058	42,742	6,360	32,898	6	399,546
Deferred tax charged to other comprehensive income during the year	–	–	–	–	–	–	–	–	(6)	(6)
Deferred tax credited/(charged) to profit or loss during the year	(57,470)	–	64,112	2,212	1,348	(2,459)	1,899	(32,898)	–	(23,256)
At 31 December 2024	137,021	–	119,794	48,521	22,406	40,283	8,259	–	–	376,284

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

The Group

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Net deferred tax liabilities recognised in the consolidated statement of financial position	419,221	390,552	344,843
Net deferred tax assets recognised in the consolidated statement of financial position	246	49	–

The Company

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the statement of financial position of the Company	398,028	342,704	304,522

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

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

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Tax losses	7,845	8,182	5,884
Deductible temporary differences	139	1,715	1,401
Total	7,984	9,897	7,285

31. PROVISION

The Group

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Warranties *(a)*	360,111	383,133	364,761
Litigation compensation	17,322	17,559	18,839
Total	377,433	400,692	383,600

The Company

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Warranties *(a)*	298,918	308,730	323,475
Litigation compensation	17,322	17,559	18,839
Total	316,240	326,289	342,314

(a) The Group generally provides warranties of 12 months to its customers on certain of its products for general repairs of defects occurring during the warranty period. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate. Amounts of warranties utilised for the Group during the year ended 31 December 2022, 2023 and 2024 are RMB159,556,000, RMB143,848,000 and RMB204,011,000, respectively.

32. DEFERRED INCOME

The Group

The movements in government grants for the Group during the Relevant Periods are as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Government grants	235,901	363,575	345,255
At beginning of year	198,850	235,901	363,575
Grants received during the year	72,374	171,744	101,029
Released to the statement of profit or loss during the year	(35,323)	(44,070)	(119,349)
At end of year	235,901	363,575	345,255

The Company

The movements in government grants for the Company during the Relevant Periods are as follows::

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Government grants	215,751	284,947	268,556
At beginning of year	177,254	215,751	284,947
Grants received during the year	134,871	170,641	149,358
Released to the statement of profit or loss during the year	(96,374)	(101,445)	(165,749)
At end of year	215,751	284,947	268,556

33. COMMITMENTS

The Group had the following contractual commitments at the end of the reporting period:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
Property, plant and equipment	571,127	1,128,104	1,166,185

34. SHARE CAPITAL

The Group and the Company

A summary of the Company's share capital is as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Number of shares registered, issued and fully paid (at par value of RMB1 each)	1,145,763	1,145,763	1,145,763

35. RESERVES

The Group

The amounts of the Group's share premium and other reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

(a) Share premium

The share premium of the Group represents (i) the difference between the par value of the shares issued and the consideration received, (ii) the premium in transactions with non-controlling shareholders and business combination under common control; and (iii) others.

(b) Statutory surplus reserve

In accordance with the PRC Company Law, the Company is required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the PRC Company Law, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(c) Special reserve

According to relevant PRC regulations, transfer of safety fund at fixed rates based on relevant bases to a specific reserve account is required. The safety fund could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of safety fund utilised would be transferred from the specific reserve account to retained earnings.

The Company

	Capital and other reserve	Fair value reserve from equity investments designated at fair value through other comprehensive income	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	429,528	30	572,603	1,002,161
Profit for the year	–	–	774,293	774,293
Other comprehensive income for the year	–	485	–	485
Total comprehensive income for the year	–	485	774,293	774,778
Capital contribution by shareholders	120,833	–	–	120,833
Disposal of an investment in an associate	(1,054)	–	–	(1,054)
Allocation and utilisation of special reserve	(871)	–	871	–
Effect of a spin-off	(169,184)	–	–	(169,184)
Effects arising from business combination under common control	(14,275)	–	–	(14,275)
Transfer to reserves	77,516	–	(77,516)	–
Distribution	–	–	(961,182)	(961,182)
At 31 December 2022 and 1 January 2023	442,493	515	309,069	752,077
Profit for the year	–	–	850,438	850,438
Other comprehensive loss for the year	–	(551)	–	(551)
Total comprehensive loss for the year	–	(551)	850,438	849,887
Allocation and utilisation of special reserve	1,608	–	(1,608)	–
Transfer to reserves	83,021	–	(83,021)	–
At 31 December 2023 and 1 January 2024	527,122	(36)	1,074,878	1,601,964
Profit for the year	–	–	902,272	902,272
Other comprehensive income for the year	–	407	–	407
Total comprehensive income for the year	–	407	902,272	902,679
Transactions between shareholders	225	–	–	225
Allocation and utilisation of special reserve	(11,175)	–	11,175	–
Distribution	–	–	(114,576)	(114,576)
Transfer to reserves	91,345	–	(91,345)	–
At 31 December 2024	607,517	371	1,782,404	2,390,292

36. BUSINESS COMBINATION

On 27 August 2022, the Company entered into an agreement with Weichai Heavy Machinery Co., Ltd. ("Weichai Heavy Machinery"), a subsidiary of Weichai Holdings Group Co., Ltd., to acquire its Parts Division of Weichai Heavy Machinery Co., Ltd. (hereinafter referred to as the "Parts Division") for RMB72,437,000. On 1st September 2022, the Company completed the asset transfer procedures with Weichai Heavy Machinery. Since the Company became a subsidiary of Weichai Holding Group Co., Ltd. ("Weichai Group") on 29 December 2020, both the Company and Weichai Heavy Machinery have been under the non-transitory control of Weichai Group. Consequently, this consolidation qualifies as a business combination under common control.

	Carrying amount on acquisition
	RMB'000
Property, plant and equipment	26,271
Right-of-use assets	7,911
Deferred tax assets	2,839
Cash and bank balances	19,709
Trade receivables	76,631
Prepayments	6
Inventories and other contract costs	10,484
Trade payables	32,171
Contract liabilities	38
Accruals and other payables	45,511
Lease liabilities	7,968
Total identifiable net assets at carrying amount	58,162
Difference between cash consideration and identifiable net assets recognised in reserves	14,275
Satisfied by cash	72,437

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(72,437)
Total cash outflow	(72,437)

37. DISPOSAL OF A SUBSIDIARY

Huiyin Jintong Financing Guarantee Co., Ltd. ("Huiyin Guarantee") was formerly a wholly-owned subsidiary of the Company. On 14 June 2022, Weichai Group acquired all equity interests in Huiyin Guarantee held by the Company for a cash consideration of RMB522,884,541. From that date onwards, the Group ceased to include Huiyin Guarantee within the scope of its consolidated financial statements.

	2022
	RMB'000
Net assets disposed of:	
Property, plant and equipment	123
Intangible assets	40
Deferred tax assets	143
Cash and bank balances	24,505
Other receivables	518,444
Accruals and other payables	(5,207)
Provision	(3,061)
Subtotal	534,987
Loss on disposal of a subsidiary	(12,102)
Satisfied by cash	522,885

An analysis of the cash flows in respect of the disposal of a subsidiary is as follows:

	RMB'000
Cash consideration	522,885
Cash and bank balances disposed of	(24,505)
Net inflow of cash and cash equivalents included in cash flows from investing activities	498,380
Total net cash inflow	498,380

38. EFFECT OF A SPIN-OFF

On 13 July 2022, the Company's shareholders' meeting resolved to approve a spin-off reorganisation, under which the Company will remain in existence while deriving two newly incorporated entities: Qixing Machinery and Wuxing Vehicles. Subsequently, on 29 August 2022, both Qixing Machinery and Wuxing Vehicles completed their industrial and commercial registration, and the Company finalised the amendments to its registered capital and company name. The Company spined off following asset to Qixing Machinery: 7.52% equity interest in Guizhou Changli Real Estate Development Co., Ltd., 0.02% equity interest in Inner Mongolia Shendong Tianlong Group Co., Ltd., 67% equity interest in Heilongjiang Weichai Lovol Beidahuang Agricultural Equipment Co., Ltd., 100% equity interest in Tianjin Lovol Engine Co., Ltd., 100% equity interest in Lovol Heavy Industries Russia Co., Ltd. and assets and liabilities of Kuiwen Plant Zone. The Company spined off vehicle operation assets and liabilities of Wuxing Vehicles Factory to Wuxing Vehicles. Further, on 31 August 2022, the Company executed an asset transfer agreement with Qixing Machinery and Wuxing Vehicles, thereby completing the handover of assets and liabilities pursuant to the spin-off. Net assets of Wuxing Vehicles and Qixing Machinery on a stand-alone basis as at the completion date of the spin-off are listed as follows:

	2022
	RMB'000
Property, plant and equipment	236,024
Equity investments designated at fair value through other comprehensive income	600
Intangible assets	1,220
Investment properties	1,111
Right-of-use assets	102,662
Deferred tax assets	4,597
Cash and bank balances	222,702
Trade receivables	110
Prepayments and other receivables	537,291
Inventories and other contract costs	74,502
Trade payables	(343,549)
Contract liabilities	(54,319)
Accruals and other payables	(537,627)
Total	245,324

The reduction in net assets arising from the spin-off reorganisation has been adjusted against the Company's share capital and statutory surplus reserve.

Net assets of Heilongjiang Weichai Lovol Beidahuang Agricultural Equipment Co., Ltd. and Lovol Heavy Industry Russia Co., Ltd. as at the completion date of the spin-off are listed as follows:

	2022
	RMB'000
Property, plant and equipment	27,581
Right-of-use assets	3,794
Cash and bank balances	2,392
Trade receivables	2,770
Prepayments and other receivables	516
Inventories and other contract costs	44,865
Trade payables	(1,589)
Contract liabilities	(21,172)
Provision	(21)
lease liability	(2,336)
Accruals and other payables	(86,430)
Non-controlling interests	6,846
Total	(22,784)

An analysis of the net outflow of cash and bank balances in respect of the spin-off is as follows:

	2022
	RMB'000
Cash and bank balances spinned off	(225,094)

39. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

2022

	Bank loans	Lease liabilities	Dividend payable	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	195,823	13,329	16,118	225,270
Changes from financing cash flows	(198,740)	(2,376)	(977,300)	(1,178,416)
Interest expense	2,917	187	–	3,104
Settlement without payment	–	(6,477)	–	(6,477)
Effects of a spin-off	–	(2,855)	–	(2,855)
Addition	–	10,448	961,182	971,630
At 31 December 2022	–	12,256	–	12,256

2023

	Lease liabilities
	RMB'000
At 1 January 2023	12,256
Changes from financing cash flows	(20,034)
Interest expense	1,908
Settlement without payment	(6,635)
Addition	61,874
At 31 December 2023	49,369

2024

	Bank loans	Lease liabilities	Dividend payable	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2024	–	49,369	–	49,369
Changes from financing cash flows	22,523	(30,749)	(114,576)	(122,802)
Interest expense	–	1,806	–	1,806
Settlement without payment	–	(8,717)	–	(8,717)
Addition	–	49,016	114,576	163,592
At 31 December 2024	22,523	60,725	–	83,248

(b) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within operating activities	11,801	18,477	16,517
Within financing activities	2,376	20,034	30,749
	14,177	38,511	47,266

40. CONTINGENT LIABILITIES

Pursuant to the agreement between the Company and Huiyin Financial Leasing Co., Ltd. ("Huiyin Leasing"), the Group have provided joint and several liability guarantees for all obligations under financial lease contracts entered into by lessees recommended by the Company and its dealers and Huiyin Leasing. The guarantee period extends to five years after the expiration of the final payment obligation under the respective financial lease contracts.

The Group's outstanding guarantee balances as of 31 December 2022, 31 December 2023, and 31 December 2024 were RMB914,575,000, RMB1,254,051,000, and RMB1,798,888,000, respectively. During the Relative Period, no claims were settled under these guarantees and Huiyin Financial Leasing Co., Ltd. has consistently maintained stringent lessee eligibility criteria. Consequently, the Group's management has assessed that the probability of default on these obligations in future periods is remote. Accordingly, the guarantee provision was assessed to be minimal as at 31 December 2022, 31 December 2023, and 31 December 2024.

41. RELATED PARTY TRANSACTIONS

(a) Name and relationship of related parties

Name	Relationship
Weichai Power and its subsidiaries	Weichai Power Co., Ltd. and companies controlled by Weichai Power Co., Ltd.
Weichai Group and its subsidiaries	Weichai Group and companies controlled by Weichai Group (excluding Weichai Power Group and its subsidiaries)
Shandong Heavy Industry and its subsidiaries	Shandong Heavy Industry Group Co., Ltd. and companies controlled by Shandong Heavy Industry Group Co., Ltd. (excluding Weichai Power and its subsidiaries and Weichai Group and its subsidiaries)
Weichai Group's associates	Associates of Weichai Group
Weichai Intelligent Technology's subsidiary	Company controlled by Weichai Intelligent Technology
The Group's associates	Associates of the Group

(b) Transactions with related parties

The Group had the following material transactions with related parties during the Relevant Periods:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Sales of goods to related parties			
Shandong Heavy Industry and its subsidiaries	16	967	1,883
Weichai Group and its subsidiaries	140,192	70,325	70,935
Weichai Group's associates	7	448	–
Weichai Power and its subsidiaries	126,323	166,271	208,114
Total	266,538	238,011	280,932
Provision of services to related parties			
Shandong Heavy Industry and its subsidiaries	1,088	30	5
Weichai Group and its subsidiaries	1,493	1,810	1,083
Weichai Power and its subsidiaries	8,381	4,067	463
Total	10,962	5,907	1,551

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Purchases of goods from related parties			
Shandong Heavy Industry and its subsidiaries	4,593	7,476	7,376
Weichai Group and its subsidiaries	70,071	33,944	46,188
Weichai Power and its subsidiaries	1,265,468	2,382,721	2,629,989
The Group's associates	1,583	–	–
Total	1,341,715	2,424,141	2,683,553
Receipt of services from related parties			
Shandong Heavy Industry and its subsidiaries	51,815	1,113	6,217
Weichai Group and its subsidiaries	2,554	9,783	13,481
Weichai Group's associates	–	37	–
Weichai Power and its subsidiaries	31,166	63,858	62,981
The Group's associates	862	3,827	3,425
Total	86,397	78,618	86,104
Rental income as lessor			
Shandong Heavy Industry and its subsidiaries	–	5	10
Weichai Power Group and its subsidiaries	1,232	2,239	–
Total	1,232	2,244	10
Rental expense as lessee *(i)*			
Weichai Group and its subsidiaries	18	233	9
Weichai Power Group and its subsidiaries	14,550	34,871	37,207
Weichai Intelligent Technology's subsidiaries	–	1,093	826
The Group's associates	440	2	2,047
Total	15,008	36,199	40,089

(i) The above transaction amounts were determined based on the rental agreements entered into between the Group and its related parties.

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Lending funds to related parties			
Shandong Heavy Industry and its subsidiaries	47	–	–
Weichai Group and its subsidiaries	613,667	–	–
Weichai Power and its subsidiaries	266	–	–
Total	613,980	–	–
Repayment of fund lending by related parties			
Shandong Heavy Industry and its subsidiaries	486,197	–	–
Weichai Group and its subsidiaries	1,989,847	–	–
Total	2,476,044	–	–
Interest income from fund lending to related parties			
Shandong Heavy Industry and its subsidiaries	6,186	–	–
Weichai Group and its subsidiaries	15,652	–	–
Total	21,838	–	–
Entrusted loan to a related party			
Weichai Group and its subsidiaries	160,000	–	–
Repayment of entrusted loan by a related party			
Weichai Group and its subsidiaries	651,000	–	–
Interest income from entrusted loan to a related party			
Weichai Group and its subsidiaries	8,527	–	–
Purchases property, plant and equipment of from related parties			
Shandong Heavy Industry and its subsidiaries	–	93	868
Weichai Group and its subsidiaries	75,072	328	142
Weichai Power Group and its subsidiaries	6,546	23,544	19,977
Total	81,618	23,965	20,987
Sales of property, plant and equipment to related parties			
Weichai Group and its subsidiaries	522,885	184	8

The Group had the following material transactions with Shandong Heavy Industry Finance Co. during the Relevant Periods:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Establishment of bank acceptance bills	1,137,510	929,319	1,557,730
Bank deposit placed	1,690,832	1,379,635	1,544,586
Interest income	39,726	14,843	24,425
Interest expenses	812	–	8
New interest-bearing borrowings	–	–	22,523
Repayment of borrowings	100,000	–	–

These transactions from the related parties were conducted in the ordinary course of business and based on commercial terms mutually agreed by the counterparties.

(c) Outstanding balances with related parties

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills receivables			
Shandong Heavy Industry and its subsidiaries	–	335	396
Weichai Group and its subsidiaries	46,763	35,464	17,697
Weichai Power Group and its subsidiaries	137,994	66,486	61,306
	184,757	102,285	79,399
Less: Impairment allowance	(31,139)	(27,205)	(25,598)
Total	153,618	75,080	53,801
Prepayments, other receivables and other assets			
Shandong Heavy Industry and its subsidiaries	–	689	–
Weichai Group and its subsidiaries	12,230	–	–
Weichai Power Group and its subsidiaries	623,507	622,844	704,254
Weichai Intelligent Technology's subsidiary	–	40	40
	635,737	623,573	704,294
Less: Impairment allowance	(622,715)	(622,715)	(622,717)
Total	13,022	858	81,577
Trade and bills payables			
Shandong Heavy Industry and its subsidiaries	8,280	7,640	9,621
Weichai Group and its subsidiaries	9,044	25,131	48,585
Weichai Power Group and its subsidiaries	1,000,684	439,294	1,325,141
The Group's associates	3,052	2	–
Total	1,021,060	472,067	1,383,347
Contract liabilities			
Shandong Heavy Industry and its subsidiaries	90	–	–
Weichai Group and its subsidiaries	44	–	–
Weichai Power Group and its subsidiaries	55	–	–
Total	189	–	–
Other payables and accruals			
Shandong Heavy Industry and its subsidiaries	47	–	–
Weichai Group and its subsidiaries	448	–	–
Weichai Power Group and its subsidiaries	–	6,177	–
Total	495	6,177	–

The Group's trade and bills receivables due from related parties are repayable on credit terms similar to those offered to the major customers of the Group.

The Group's trade and bills payables due to related parties are repayable on credit terms similar to those offered by related parties to their major suppliers.

All the remaining balances due from and due to related parties were non-interest-bearing, unsecured and payable on demand.

(d) Other transactions with related parties

On 13 July 2021, the Company entered into a Framework Agreement for Contingent Rights Transactions on VAT Credit Retention (the "Framework Agreement") with Weichai Group, Weichai Power Co., Ltd. ("Weichai Power"), and Arbos Technology Group Co., Ltd. ("Arbos Technology"). Upon the Company's receipt of any refund for retained VAT credits from fiscal or tax authorities, Weichai Group and Weichai Power shall compensate Arbos Technology 39.16% and 38.62% of the actual refund amount accordingly. The Company provides joint and several guarantees to Arbos Technology for these obligations. According to the Framework Agreement, retained VAT credits amounts to RMB998,948,000 (subject to actual refunds received) and the aggregate amount of the VAT Credit Compensation provided by Weichai Group and Weichai Power shall be no more than RMB776,982,000. The Company received part of refunds in 2022 and 2023. On 17 March 2023, Weichai Group and Weichai Power issued Letters of Undertaking Regarding Joint Guarantee Obligations for VAT Credit Compensation, confirming commitment to fulfill all Framework Agreement obligations and fully reimburse all economic losses incurred to the Company arising from the matters specified herein or any disputes related to such matters.

Huiyin Leasing provides finance leasing services for products sold by the Company through its dealers. Huiyin Leasing and the third-party dealers have agreed that repayments related to sales of agricultural equipment owed by dealers to the Group will be directly remitted to the Company by Huiyin Leasing. For the year of 2022, 2023 and 2024, the repayment amounts received by the Group under this business model were RMB1,570,287,000, RMB1,658,914,000 and RMB2,678,376,000, respectively. For further details, please refer to Note 40 to the Historical Financial Information.

As of 31 December 2022, the Company issued bank acceptance bills totaling RMB278,540,000 on behalf of Wuxing Vehicles (all undrawn as of 31 December 2022). Wuxing Vehicles had deposited equivalent funds with the Company to settle these bills upon maturity. Additionally, the Company endorsed notes receivables amounting to RMB800,000 to Wuxing Vehicles. As of 31 December 2023 and 2024, there were no outstanding bills issued under this arrangement.

On 17 January 2022, the Company entered into a capital increase agreement with Weichai Power Co., Ltd., CNHTC Jinan Power Co., Ltd., Shantui Investment Co., Ltd., and Zhongtong Bus Holding Co., Ltd., pursuant to which all parties collectively invested in Weichai Intelligent Technology. The Company contributed RMB48,138,000 for a 19% equity interest.

In 2022, the Company, together with Weichai Group and Weichai Power Co., Ltd., jointly established Weichai (Qingdao) Intelligent Heavy Industry Co., Ltd.. The Company contributed a total of RMB270,000,000 for a 45% equity interest.

On 14 February 2022, the Company entered into a share transfer agreement with Shandong Mengwo Transmission Co., Ltd. to acquire its 32.89% equity interest in Shandong Weichai Lovol Transmission Co., Ltd.. On 17 February 2022, the Company paid the full consideration of RMB35,993,000 for the equity transfer. Upon completion of the transaction on 24 February 2022, Shandong Weichai Lovol Transmission Co., Ltd. became a wholly-owned subsidiary of the Company.

As of 31 December 2023, the Company has granted royalty-free use of the Lovol loader and excavator series trademarks to Lovol Construction Machinery Group Co., Ltd., commencing 1st May 2023, the Company has licensed the Lovol special vehicle series trademarks to Lovol Construction Machinery Group Co., Ltd. on a royalty-bearing basis until 30 April 2026; and from the date of spin-off described in note 38 until 7 November 2025, the Company has granted royalty-free use of the Lovol series trademarks to Heilongjiang Weichai Lovol Beidahuang Agricultural Equipment Co., Ltd..

(e) Compensation of key management personnel of the Group

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	4,361	3,454	4,489
Performance related bonuses	4,331	2,908	4,642
Pension scheme contributions	699	647	833
Total	9,391	7,009	9,964

Further details of directors' and the chief executive's emoluments are included in note 9 to the Historical Financial Information.

42. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods were as follows:

Financial assets

2022

	Financial assets at fair value through other comprehensive income			
	Debt investments	Equity investments	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity investments designated at fair value through other comprehensive income	–	3,765	–	3,765
Trade and bills receivables	–	–	582,547	582,547
Bills receivable	47,236	–	–	47,236
Financial assets included in prepayments, other receivables and other assets	–	–	37,226	37,226
Cash and bank balances	–	–	5,889,399	5,889,399
Restricted deposits	–	–	820,295	820,295
Total	47,236	3,765	7,329,467	7,380,468

2023

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Financial assets at amortised cost	Total
		Debt investments	Equity investments		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Equity investments designated at fair value through other comprehensive income	–	–	3,117	–	3,117
Financial assets at fair value through profit or loss	940,250	–	–	940,250	
Trade and bills receivables	–	–	–	405,514	405,514
Bills receivable	–	29,839	–	–	29,839
Financial assets included in prepayments, other receivables and other assets	–	–	–	26,419	26,419
Cash and bank balances	–	–	–	5,451,296	5,451,296
Restricted deposits	–	–	–	973,586	973,586
Total	940,250	29,839	3,117	6,856,815	7,830,021

Financial assets

2024

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Financial assets at amortised cost	Total
		Debt investments	Equity investments		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Equity investments designated at fair value through other comprehensive income	–	–	3,595	–	3,595
Financial assets at fair value through profit and loss	1,092,068	–	–	–	1,092,068
Trade and bills receivables	–	–	–	523,077	523,077
Bills receivables	–	21,784	–	–	21,784
Financial assets included in prepayments, other receivables and other receivables	–	–	–	33,188	33,188
Long-term time deposits	–	–	–	342,672	342,672
Current portion of long-term time deposits	–	–	–	85,297	85,297
Cash and cash balances	–	–	–	7,951,595	7,951,595
Restricted deposits	–	–	–	1,688,104	1,688,104
Total	1,092,068	21,784	3,595	10,623,933	11,741,380

Financial liabilities

2022

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables	6,968,064
Financial liabilities included in other payables and accruals	977,522
Total	7,945,586

2023

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables	8,124,608
Financial liabilities included in other payables and accruals	861,167
Total	8,985,775

2024

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables	12,368,715
Financial liabilities included in other payables and accruals	946,276
Interest-bearing bank borrowings	22,523
Total	13,337,514

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, restricted deposits, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The Group invests in financial assets at fair value through profit or loss, which represent structured deposits issued by banks in Mainland China. The Group has estimated the fair value of these structured deposits based on the net value announced by the bank at the end of each of the Relevant Periods.

The fair values of [**REDACTED**] 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 valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as price to book ("P/B") multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the [**REDACTED**] equity investments to measure the fair value. 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 that they were the most appropriate values at the end of each of the Relevant Periods.

The Group has bank acceptance notes issued by banks in Mainland China measured at fair value through other comprehensive income. The Group has estimated the fair value of these bank acceptance notes by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Set out 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 of the Relevant Periods:

31 December 2022

Equity investments at fair value through other comprehensive income	Valuation technique	Significant unobservable inputs	Inputs	Sensitivity of fair value to the input
	Market approach	Average P/B multiple of peers	0.57	5% increase/(decrease) in multiple would result in increase/decrease in fair value by RMB189,000
		Discount for lack of Marketability*	31.6%	5% increase/(decrease) in multiple would result in decrease/increase in fair value by RMB87,000

31 December 2023

Equity investments at fair value through other comprehensive income	Valuation technique	Significant unobservable inputs	Inputs	Sensitivity of fair value to the input
	Market approach	Average P/B multiple of peers	0.32	5% increase/(decrease) in multiple would result in increase/decrease in fair value by RMB156,000
		Discount for lack of marketability*	4.69%	5% increase/(decrease) in multiple would result in decrease/increase in fair value by RMB8,000

31 December 2024

Equity investments at fair value through other comprehensive income	Valuation technique	Significant unobservable inputs	Inputs	Sensitivity of fair value to the input
	Market approach	Average P/B multiple of peers	0.38	5% increase/(decrease) in multiple would result in increase/decrease in fair value by RMB184,000
		Discount for lack of marketability*	11.2%	5% increase/(decrease) in multiple would result in decrease/increase in fair value by RMB23,000

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bills receivable	–	47,236	–	47,236
Equity investments at fair value through other comprehensive income	–	–	3,765	3,765
Total	–	47,236	3,765	51,001

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	–	940,250	–	940,250
Bills receivable	–	29,839	–	29,839
Equity investments at fair value through other comprehensive income	–	–	3,117	3,117
Total	–	970,089	3,117	973,206

As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	–	1,092,068	–	1,092,068
Bills receivable	–	21,784	–	21,784
Equity investments at fair value through other comprehensive income	–	–	3,595	3,595
Total	–	1,113,852	3,595	1,117,447

During the Relevant 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.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings. 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 such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are 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.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the USD, EUR and JPY exchange rates, with all other variables held constant, of the Group's income before tax and equity (due to changes in the fair value of monetary assets and liabilities).

	Increase/(decrease) in rate of foreign currency	Increase/(decrease) in profit before tax	Increase/(decrease) in equity
	%	RMB'000	RMB'000
31 December 2024			
If RMB weakens against USD	5	13,816	12,014
If RMB strengthens against USD	(5)	(13,816)	(12,014)
If RMB weakens against EUR	5	3,023	2,629
If RMB strengthens against EUR	(5)	(3,023)	(2,629)
31 December 2023			
If RMB weakens against USD	5	10,541	9,167
If RMB strengthens against USD	(5)	(10,541)	(9,167)
If RMB weakens against EUR	5	2,818	2,451
If RMB strengthens against EUR	(5)	(2,818)	(2,451)
31 December 2022			
If RMB weakens against USD	5	13,680	11,896
If RMB strengthens against USD	(5)	(13,680)	(11,896)
If RMB weakens against EUR	5	4,783	4,160
If RMB strengthens against EUR	(5)	(4,783)	(4,160)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

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 of the Relevant Periods.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables*	–	–	–	1,104,384	1,104,384
Financial assets included in prepayments, other receivables and other assets					
– Normal**	37,730	–	–	–	37,730
– Doubtful**	–	–	738,760	–	738,760
Restricted deposits					
– Not yet past due	820,295	–	–	–	820,295
Cash and bank balances					
– Not yet past due	5,889,399	–	–	–	5,889,399
Total	6,747,424	–	738,760	1,104,384	8,590,568

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	–	–	–	878,895	878,895
Financial assets included in prepayments, other receivables and other assets					
– Normal**	27,800	–	–	–	27,800
– Doubtful**	–	–	738,969	–	738,969
Restricted deposits					
– Not yet past due	973,586	–	–	–	973,586
Cash and bank balances					
– Not yet past due	5,451,296	–	–	–	5,451,296
Total	6,452,682	–	738,969	878,895	8,070,546

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	–	–	–	631,566	631,566
Financial assets included in prepayments, other receivables and other assets					
– Normal**	34,316	–	–	–	34,316
– Doubtful**	–	–	737,947	–	737,947
Long-term time deposits					
– Not yet past due	342,672	–	–	–	342,672
Current portion of long-term time deposits					
– Not yet past due	85,297	–	–	–	85,297
Restricted deposits					
– Not yet past due	1,688,104	–	–	–	1,688,104
Cash and bank balances					
– Not yet past due	7,951,595	–	–	–	7,951,595
Total	10,101,984	–	737,947	631,566	11,471,497

* For trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 22.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, lease liabilities and other interest-bearing loans.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2022				
	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	6,968,064	–	–	–	6,968,064
Lease liabilities	7,876	1,085	3,254	1,089	13,304
Financial liabilities included in other payables and accruals	977,522	–	–	–	977,522
Guarantees given to Huiyin Leasing in connection with financial lease contracts entered into by lessees and Huiyin Leasing	839,728	74,677	170	–	914,575
Total	8,793,190	75,762	3,424	1,089	8,873,465

	As at 31 December 2023				
	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	8,124,608	–	–	–	8,124,608
Lease liabilities	29,750	11,346	11,411	5	52,512
Financial liabilities included in other payables and accruals	861,167	–	–	–	861,167
Guarantees given to Huiyin Leasing in connection with financial lease contracts entered into by lessees and Huiyin Leasing	1,065,417	182,612	6,023	–	1,254,052
Total	10,080,942	193,958	17,434	5	10,292,339

	As at 31 December 2024				
	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	12,368,715	–	–	–	12,368,715
Lease liabilities	42,300	9,915	9,830	1,310	63,355
Financial liabilities included in other payables and accruals	946,276	–	–	–	946,276
Interest-bearing bank and other borrowings	23,109	–	–	–	23,109
Guarantees given to Huiyin Leasing in connection with financial lease contracts entered into by lessees and Huiyin Leasing	1,467,080	322,715	9,093	–	1,798,888
Total	14,847,480	332,630	18,923	1,310	15,200,343

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. To maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares.

The Group monitors capital using a debt-to-asset ratio, which is total debt divided by total assets. The debt-to-asset ratio as at the end of each of the Relevant Periods were as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Total debt	10,438,316	12,122,375	15,390,979
Total assets	12,515,749	15,070,843	19,182,365
Gearing ratio	83.40%	80.44%	80.24%

45. EVENTS AFTER THE RELEVANT PERIODS

On June 6, 2025, the Company's Eighth Board of Directors approved at its Thirteenth Meeting the proposal to distribute a cash dividend of RMB0.2 per share (tax inclusive), based on the shareholder register as of the actual dividend payment date, with the total dividend amount reaching RMB229,153,000.

46. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of its subsidiaries in respect of any period subsequent to 31 December 2024.

[REDACTED]

[**REDACTED**]

[REDACTED]

[REDACTED]

[REDACTED]

1. TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on the current laws and practices in the PRC, is subject to change and does not constitute legal or tax advice to H-Share holders. The discussion below has no intention to cover all possible tax consequences resulting from the in H Shares, nor does it take the specific circumstances of any particular into account, some of which may be subject to special regulations. Accordingly, you should consult your own tax adviser regarding the tax consequences of an in H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of the Latest Practicable Date, which is subject to change and may have retrospective effect.

The PRC Taxation

A. Taxation on Dividends

Individual Investors

Pursuant to *the Individual Income Tax Law of the PRC* (《中華人民共和國個人所得稅法》) (the "**IIT Law**"), which was latest amended on August 31, 2018 and came into effect on January 1, 2019, and *the Implementation Provisions of the Individual Income Tax Law of the PRC* (《中華人民共和國個人所得稅法實施條例》), which was latest amended on December 18, 2018 and came into effect on January 1, 2019, dividends distributed by PRC enterprises are subject to PRC Individual Income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from a PRC enterprise is normally subject to withholding tax of 20% unless such tax is specifically exempted by the tax authority of the State Council or reduced by an applicable tax treaty.

Meanwhile, according to *the Notice on Issues Concerning Differentiated Individual Income Tax Policies on Dividends and Bonus of Listed Companies* (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) (Cai Shui [2015] No. 101) issued by the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission (the "**CSRC**") on September 7, 2015 and coming into effect on September 8, 2015, where an individual acquires the shares of a listed company through a public offering or trading at the stock exchange where the company is listed and such individual holds the shares for more than one year, the dividend and bonus income shall be temporarily exempted from individual income tax. However, in the case where the holding period of such shares is no more than one month, the dividend shall be subject to individual income tax in full; while in the case where the holding period is between the range of one month to one year (inclusive), only 50% of the dividend income shall be subject to individual income tax. In each case where individual income tax shall be leviable, an uniform rate of 20% shall apply.

Pursuant to *the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income* (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), signed on August 21, 2006, the PRC Government has the authority to impose taxes on dividends paid by a PRC company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the PRC company. However, if a Hong Kong resident directly holds 25% or more of the equity interest in a PRC company, then such tax shall not exceed 5% of the total dividends payable by the PRC company.

According to *the Announcement of the State Taxation Administration on Issuing the Administrative Measures for Entitlement to Treaty Benefits for Non-resident Taxpayers* (《非居民納稅人享受協定待遇管理辦法》) promulgated by the State Taxation Administration ([2019] No. 35) and coming into effect as of January 1, 2020, the non-resident taxpayers with tax payment obligations within the territory of the PRC may, if they need enjoy the entitlement to treaty benefits, receive such treaty benefit at the time of making tax declarations, or at the time of making withholding declarations via tax withholding agents, and in such way as "self-judgment of eligibility, declaration of entitlement, and maintenance of relevant materials for future inspection by the tax authority".

Enterprise Investors

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "**EIT Law**") enacted by the National People's Congress ("**NPC**") on March 16, 2007, and effective from January 1, 2008, latest amended on December 29, 2018, and the Implementation Regulations of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council on December 6, 2007, and effective from January 1, 2008, latest amended on December 6, 2024, a non-resident enterprise shall be subject to a 10% enterprise income tax on PRC-sourced income, including dividends paid by a PRC resident enterprise the shares of which are issued and listed in Hong Kong, if such non-resident enterprise does not have an institution or establishment in the PRC, or if, where such non-resident enterprise has an institution or establishment in the PRC, the PRC-sourced income is not actually connected with such institution or establishment in the PRC. Such withholding tax may, where applicable, be reduced or exempted pursuant to a treaty for the avoidance of double taxation. Such withholding tax payable by non-resident enterprises is deducted at source, where the payer of dividends, is required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment of dividends is made or due.

The Circular on Issues Relating to the Withholding and Remitting of Corporate Income Tax by PRC Resident Enterprises on Dividends Distributed to Overseas Non-Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897), which was issued by the State Taxation Administration (the "**STA**") on November 6, 2008, further clarifies that a PRC-resident enterprise shall withhold corporate income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares. In addition, the Response to Questions on Levying Corporate Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B Shares (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》) (Guo Shui Han [2009] No. 394), which was issued by the STA and implemented on July 24, 2009, further provides that any PRC-resident enterprise listed on overseas stock exchanges shall withhold and remit corporate income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further adjusted pursuant to a tax treaty or agreement that China has entered into with the relevant jurisdictions, where applicable.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, the PRC Government has the authority to impose taxes on dividends paid by a PRC company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the PRC company. If a Hong Kong resident directly holds 25% or more of the equity interest in a PRC company, then such tax shall not exceed 5% of the total dividends payable by the PRC company.

According to *the Announcement of the State Taxation Administration on Issuing the Administrative Measures for Entitlement to Treaty Benefits for Non-resident Taxpayers* (《非居民納稅人享受協定待遇管理辦法》) promulgated by the State Taxation Administration ([2019] No. 35) and coming into effect as of January 1, 2020, the non-resident taxpayers with tax payment obligations within the territory of the PRC may, if they need enjoy the entitlement to treaty benefits, receive such treaty benefit at the time of making tax declarations, or at the time of making withholding declarations via tax withholding agents, and in such way as "self-judgment of eligibility, declaration of entitlement, and maintenance of relevant materials for future inspection by the tax authority".

Tax Treaties

Non-resident investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC are generally entitled to a reduction of the withholding taxes to be imposed on the dividends received from a PRC company. The PRC has entered into Avoidance of Double Taxation Arrangements with a number of countries and regions including but not limited to Hong Kong, Macau, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. According to *the Law of the People's Republic of China on the Administration of Tax Collection*, in the case of a discrepancy between the provisions of the relevant tax treaties or agreements concluded between the People's Republic of China and other countries and the provisions of *the Law of the People's Republic of China on the Administration of Tax Collection*, the provisions of the treaties or agreements shall prevail.

In the event that a non-resident taxpayer entitled to preferential tax rates in accordance with the relevant income tax treaties or arrangements does not enjoy the benefits, such non-resident taxpayer may elect to apply to the PRC tax authorities for a refunding of the withholding tax in excess of the agreed tax rate, and such refunding is subject to verification by the PRC tax authorities.

B. Taxation on Share Transfer

Value-Added Tax and Local Surcharges

Pursuant to the Notice on the Full Implementation of the Pilot Program for Transition from Business Tax to Value-Added Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (Cai Shui [2016] No. 36) ("**Circular 36**"), effective from May 1, 2016, and latest amended on March 20, 2019, individuals and entities providing service within the PRC are obligated to pay Value-Added Tax ("**VAT**"). According to Circular 36 and the appendixes thereto, "providing service" shall include the assignment of financial products, inclusive of marketable securities, and the provision of service shall be deemed "within the PRC" where either the service provider or the recipient of service is situated within the PRC, except as otherwise provided by Circular 36 or other rules promulgated by the Ministry of Treasury and the National Taxation Bureau. The assignment of marketable securities is subject to a VAT rate of 6% on the taxable income, provided, however, that individuals are exempt from VAT obligations when engaging in the transfer of financial products. The taxable income, in this context, refers to the sales price balance after deducting the purchase price. This VAT obligation applies to both general and foreign VAT taxpayers.

As per the aforementioned regulations, non-resident individuals selling or disposing of H shares are exempt from VAT in the PRC. However, if the holders are non-resident enterprises, they may avoid VAT in the PRC only if the buyers of the H shares are individuals or entities located outside of the PRC. Conversely, the holders might be subject to VAT in the PRC if the buyers of the H shares are individuals or entities situated within the PRC.

Income Taxes

Individual Investors

Under the IIT Law, gains arising from the transfer of equity interests in PRC resident enterprises are subject to individual income tax at a rate of 20%. However, according to the Circular of the Ministry of Finance ("**MOF**") and the STA on continuing the exemption policy of Individual Income Tax over Income of Individuals Arising from Transfer of Shares (《財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61), issued jointly by the MOF and STA on March 30, 1998, gains obtained by individuals from the transfer of shares of listed companies have been temporarily exempted from individual income tax since January 1, 1997.

On December 31, 2009, the MOF, the STA, and the CSRC jointly issued the Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Restriction (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167). This circular, effective from January 1, 2010, provides that individuals' income derived from the transfer of listed shares acquired through public offerings and trading on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempt from individual income tax, while for the listed shares subject to sales restrictions, an individual income tax of 20% shall apply. As of the Latest Practicable Date, there are no provisions expressly providing that individual income tax shall be imposed on non-resident individuals for the transfer of shares in a PRC resident enterprise listed on overseas stock exchanges.

Enterprise Investors

In accordance with the EIT Law and the Implementation Regulations of the Enterprise Income Tax Law of the PRC, non-resident enterprises are typically subject to a 10% enterprise income tax on income sourced within the PRC. This includes gains realized from the disposal of equity interests in a PRC resident enterprise. However, this taxation applies only if the non-resident enterprise does not maintain a physical establishment or premises in the PRC, or if it does have such establishments in the PRC, but its PRC-sourced income is not genuinely connected with those establishments. The withholding of income tax for non-resident enterprises is executed at the source, with the entity making the payment acting as the withholding agent. This withholding agent is obliged to deduct the income tax from each payment or due payment made to the non-resident enterprise. It's important to note that the tax liability may be reduced or exempted in accordance with applicable tax treaties or agreements on the avoidance of double taxation.

Stamp Duty

Pursuant to the Stamp Duty Law of the PRC (《中華人民共和國印花稅法》), as issued by the Standing Committee of the NPC on June 10, 2021 and came into effect on July 1, 2022, Units and individuals who establish taxable instruments or conduct securities transactions within the territory of China, or units and individuals who establish taxable instruments or conduct securities transactions outside the territory of China but use taxable instruments within the territory of China shall pay stamp duty.

Estate Duty

As of the last practicable date, there is presently no imposition of estate duty in China.

2. FOREIGN EXCHANGE

The lawful currency of the PRC is Renminbi ("**RMB**"), which is currently subject to foreign exchange control and cannot be freely converted into foreign exchange. The State Administration of Foreign Exchange (the "**SAFE**"), under the authorization of the People's Bank of China (the "**PBOC**"), is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On January 29, 1996, the State Council promulgated the Regulations on Foreign Exchange Administration of the PRC (《中華人民共和國外匯管理條例》) (the "**Regulations on Foreign Exchange Administration**") which became effective on April 1, 1996. The Regulations on Foreign Exchange Administration classifies all international payments and transfers into current account items and capital account items. Most of the current account items are no longer subject to the SAFE's approval, while capital account items are still subject to such approval. Pursuant to the latest amendment to the Regulations on Foreign Exchange Administration made on August 5, 2008, the PRC does not impose any restriction on international payments and transfers under the current account items.

On June 20, 1996, PBOC promulgated the Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (the "**Settlement Regulations**"), which became effective on July 1, 1996. The Settlement Regulations abolished all other restrictions on convertibility of foreign exchange under current account items, while retaining the existing restrictions on foreign exchange transactions under capital account items.

According to the Announcement on Reforming the RMB Exchange Rate Regime issued by the PBOC (《中國人民銀行關於完善人民幣匯率形成機制改革的公告》) (PBOC Announcement [2005] No. 16) and came into effect on July 21, 2005, the PRC will reform the exchange rate regime by moving into a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies. Therefore, the RMB exchange rate was no longer pegged to the U.S. dollar. The PBOC will announce the closing price of a foreign currency such as the U.S. dollar traded against the RMB in the interbank foreign exchange market after the closing of the market on each working day, and will make it the central parity for the trading against the RMB on the following working day.

Starting from 4 January 2006, the PBOC introduced over-the-counter transactions into the interbank spot foreign exchange market for the purpose of improving the formation mechanism of the central parity of Renminbi exchange rates, and the practise of matching was kept at the same time. In addition to the above, the PBOC introduced the market-maker rule to provide liquidity to the foreign exchange market. On 1 July 2014, the PBOC further improved the formation mechanism of the RMB exchange rate by authorising the China Foreign Exchange Trade System to make inquiries with the market makers before the interbank foreign exchange market opens every day for their offered quotations which are used as samples to calculate the central parity of the RMB against the USD on that day using the weighted average of the remaining market makers offered quotations after excluding the highest and lowest quotations, and announce the central parity of the RMB against currencies such as the USD at 9:15 a.m. on each working day. On 11 August 2015, the PBOC announced to improve the central parity quotations of RMB against the USD by authorising market makers to provide central parity quotations to the China Foreign Exchange Trading System before the interbank foreign exchange market opens every day with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates.

On 5 August 2008, the State Council promulgated the amended Regulations on Foreign Exchange Administration (the "**Amended Regulations on Foreign Exchange**") which made significant changes on the supervisory system for foreign exchange in the PRC. Firstly, the Amended Regulations on Foreign Exchange adopted balanced treatment on the inflow and outflow of foreign capital. Incomes in foreign currencies overseas can be remitted to the PRC or remained overseas, and foreign currencies of capital account items and funds for settlement in foreign currencies can only be used according to the purposes approved by relevant competent authorities and foreign exchange administration. Secondly, the Amended Regulations on Foreign Exchange improved the RMB exchange mechanism based on market supply and demand. Thirdly, the Amended Regulations on Foreign Exchange enhanced the monitoring of cross-border capital flow in foreign currencies, whereby the state could implement necessary protection or controlling measures on international balance of payments when material imbalance of income and expenses related to cross-border trading arise or might arise, or serious crises in the domestic economy occur or might occur. Fourthly, the Amended Regulations on Foreign Exchange enhanced the regulation and administration on foreign currency trading, and granted extensive authorization to the SAFE to enhance its supervisory and administrative capacity.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment from foreign exchange accounts opened at the designated foreign exchange banks, on the strength of valid transaction receipt or proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (such as our Company) may, on the strength of resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts at the designated foreign exchange banks or effect exchange and payment at the designated foreign exchange banks.

On October 23, 2014, the State Council promulgated the Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批專案等事項的決定》) (Guo Fa [2014] No. 50), which decided to cancel the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

On December 26, 2014, the SAFE promulgated and implemented the Notice of the SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) (Hui Fa [2014] No. 54), pursuant to which a domestic company shall, within 15 business days upon the end of its overseas issuance and listing, register the overseas listing with the Administration of Foreign Exchange in the city where such company is registered; the proceeds from an overseas listing of a domestic company may be remitted to the PRC or deposited overseas, but the use of the proceeds shall be consistent with such contents as specified in the registration documents and other disclosure documents.

According to the Notice of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (Hui Fa [2015] No. 13) promulgated by the SAFE on February 13, 2015 and taking effect on June 1, 2015, two of the administrative approval items, being the approval of foreign exchange registration under domestic direct investment and the approval of foreign exchange registration under overseas direct investment, have been canceled, the foreign exchange registration under domestic direct investment and overseas direct investment shall thereafter be directly handled by banks. The SAFE and its branch offices shall, through the relevant foreign exchange business handled by banks, indirectly regulate the foreign exchange registration of direct investment.

According to the Notice of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Administration of Foreign Exchange Settlement under Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (Hui Fa [2016] No. 16) issued by the SAFE and came into effect on June 9, 2016, the settlement of foreign exchange receipts under the capital account (including funds recovered from overseas listing, etc.) that are subject to discretionary settlement as already specified by relevant policies may be handled at banks based on the domestic institutions' actual requirements for business operation. The proportion of discretionary settlement of domestic institutions' foreign exchange receipts under the capital account is temporarily determined as 100%. The SAFE may, based on the international balance of payments, adjust the aforesaid proportion at appropriate time.

According to the Circular of the State Administration for Foreign Exchange on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) (Hui Fa [2020] No. 8) promulgated with effect from April 10, 2020 by the SAFE, the reform of facilitating the payments of incomes under the capital accounts shall be promoted nationwide. Under the prerequisite of ensuring true and compliant use of funds and compliance and complying with the prevailing administrative provisions on use of income from capital projects, enterprises which satisfy the criteria are allowed to use income under the capital account, such as capital funds, foreign debt and overseas listing, etc., for domestic payment, without the need to provide proof materials for veracity to the bank beforehand for each transaction.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (《中華人民共和國憲法》), or the Constitution, and is made up of laws, administrative regulations, local regulations, separate regulations, rules and regulations of departments of the State Council, rules and regulations of local governments, autonomous regulations, separate regulations of autonomous regions, special administrative region law and international treaties and other regulatory documents signed by the PRC government. Court judgments do not constitute binding precedents for future cases, although they are used for the purposes of judicial reference and guidance.

According to the Constitution and the Legislation Law of the People's Republic of China (《中華人民共和國立法法》), or the Legislation Law, which was amended by the NPC on 13 March 2023 and became effective on 15 March 2023, the NPC and the SCNPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing criminal and civil matters, state organs and other matters. The SCNPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws. The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people's congresses of cities divided into districts and their standing committees may formulate local regulations on matters such as urban and rural construction and management, environmental protection and historical and cultural protection based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where laws have other stipulations on matters of local regulations formulated by cities divided into districts, such stipulations shall prevail. The local regulations of cities divided into districts must be submitted to the people's congree of such provinces or autonomous regions for approval before implementation.

The standing committees of the people's congresses of provinces or autonomous regions shall examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in the light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned. The ministries, commissions, PBOC, NAO of the State Council and institutions with administrative functions directly under the State Council may formulate rules and regulations within the terms of reference of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations or rules may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of the rules enacted by the people's governments of the provinces and autonomous regions is greater than that of the rules enacted by the people's governments of the cities divided into districts within their respective administrative regions.

The NPC has the power to alter or annul any inappropriate laws enacted by the SCNPC, and to annul any autonomous regulations and separate regulations which have been approved by the SCNPC but which contravene the Constitution and the Legislation Law; the SCNPC has the power to annul administrative regulations that contravene the Constitution and laws, to annul local regulations that contravene the Constitution, laws and administrative regulations, and to annul autonomous regulations and separate regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the Central Government, but which contravene the Constitution and the Legislation Law; the State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments; the people's congresses of provinces, autonomous regions and municipalities directly under the Central Government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees; the standing committees of the local people's congresses have the power to annul inappropriate rules enacted by the people's governments at the corresponding level; the people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the SCNPC. According to the Decision of the SCNPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed by the SCNPC and effective on 10 June 1981, the Supreme People's Court shall give interpretation on questions involving the specific application of laws and decrees in court trials. The Supreme People's Procuratorate shall interpret all issues involving the specific application of laws and decrees in the procuratorial work. Interpretation of questions involving the specific application of laws and decrees in areas unrelated to judicial and procuratorial work shall be provided by the State Council and competent authorities.

Where the scope of local regulations needs to be further defined or additional stipulations need to be made, the standing committees of the people's congresses of provinces, autonomous regions and municipalities directly under the Central Government which have enacted these regulations shall provide the interpretations or make the stipulations. Interpretation of questions involving the specific application of local regulations shall be provided by the competent departments of the people's governments of provinces, autonomous regions and municipalities.

PRC JUDICIAL SYSTEM

According to the Constitution and the Law of the PRC of Organization of the People's Courts (《中華人民共和國人民法院組織法》) amended by the SCNPC on 26 October 2018 and becoming effective on 1 January 2019, the PRC People's Court is made up of the Supreme People's Court, the local people's courts, and other special people's courts. The local people's courts are divided into three levels, namely the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts may set up certain people's tribunals based on the status of the region, population and cases. The Supreme People's Court shall be the highest judicial organ of the state. The Supreme People's Court shall supervise the judicial work of the local people's courts at all levels and of the special people's courts, and the people's courts at a higher level shall supervise the judicial work of the people's courts at lower levels.

According to the Constitution and the Law of Organization of the People's Procuratorate of the PRC (《中華人民共和國人民檢察院組織法》) revised by SCNPC on 26 October 2018 and taking effect on 1 January 2019, the People's Procuratorate is the law supervision organ of the state. The Supreme People's Procuratorate shall direct the work of the local people's procuratorates at all levels and of the special people's procuratorates; the people's procuratorates at higher levels shall direct the work of those at lower levels.

The people's courts employ a two-tier appellate system, and judgments or rulings of the second instance at the people's courts are final. A party may appeal against the judgment or ruling of the first instance of a local people's courts. The people's procuratorate may present a protest to the people's courts at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's courts are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court and those of the first instance of the Supreme People's Court are final. However, if the Supreme People's Court or the local people's courts at a higher level finds any definite errors in a judgment or ruling which has come into force, of the people's court at a lower level, or if the chief judge of a people's court at any level finds any definite errors in a judgment or ruling of such court which has come into force, the case can be retried according to judicial supervision procedures.

The PRC Civil Procedure Law (《中華人民共和國民事訴訟法(2023年修訂)》), or the PRC Civil Procedure Law, adopted by the SCNPC on 1 September 2023 and effective on 1 January 2024 sets forth the requirements for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the PRC Civil Procedure Law. Civil cases are generally heard by the courts where the defendant resides. The court of jurisdiction in a civil action arising out of disputes under a contract or disputes over property, equity or other assets may be chosen by express agreement between the parties, provided that the court is located at a place that has direct connection with the dispute, such as the plaintiff's or the defendant's place of domicile, the place where the contract is performed or signed or the object of the action is located. However, the choice of the court cannot be in conflict with the regulations of different jurisdictions and exclusive jurisdictions in any case.

A foreign individual, a person without nationality, a foreign-invested enterprise or a foreign organization has the same litigation rights and obligations as a PRC citizen, legal person or other organizations when initiating or defending any proceedings at a people's court. If a foreign court limits the litigation rights of PRC citizens and enterprises, the PRC court may apply the same limitations to the citizens and enterprises of such foreign country. A foreign individual, a person without nationality, a foreign-invested enterprise or a foreign organization must engage a PRC lawyer if such person needs to engage a lawyer in initiating or defending any proceedings at a people's court. Under an international treaty or the principle of reciprocity signed or acceded to by the PRC, the people's court and foreign courts may require each other to act on their behalf to serve documents, conduct investigations, collect evidence and take other actions on behalf of each other. If the request by a foreign court would result in the violation of the PRC's sovereignty, security or public interest, the people's court shall decline the request.

All parties must comply with civil judgments and rulings that have come into force. If any party to a civil action refuse to comply with a judgment or order made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may within two years apply to the people's court for enforcement. In the case of suspension or disruption of the time limit for applying for such enforcement, the laws concerning the suspension or disruption of the time-barring of actions shall apply.

When a party applies to a people's court for enforcing an effective judgment or ruling by a people's court against a party who is not located within the territory of the PRC or whose property is not within the PRC, the party may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless, among other exceptions, the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

THE PRC COMPANY LAW, TRIAL MEASURES AND GUIDELINES FOR ARTICLES OF ASSOCIATION

Company Limited by Shares established in the PRC and seeking listing on the Stock Exchange of Hong Kong Ltd. is mainly subject to the PRC Company Law and the Trial Measures.

The PRC Company Law (《中華人民共和國公司法》), or the Company Law, adopted by the Fifth Standing Committee Meeting of the Eighth NPC on 29 December 1993 and came into effect on 1 July 1994, was amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013, 26 October 2018 and 29 December 2023, respectively. The latest revised Company Law came into effect on 1 July 2024.

The Trial Measures and its five interpretative guidelines promulgated by the CSRC on 17 February 2023 came into effect on 31 March 2023 and apply to the direct and indirect overseas listing of domestic companies.

According to the Trial Measures and its interpretative guidelines, a domestic company seeking a direct offering and overseas listing shall formulate its articles of association in line with the Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》), or the Guidelines for Articles of Association, in place of the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas which expired on 31 March 2023. The Guidelines for Articles of Association were promulgated by the CSRC on 16 December 1997 and last amended on 28 March 2025.

Set out below is a summary of the major provisions of the Company Law, the Trial Measures and the Guidelines for Articles of Association which are applicable to our Company.

General Provisions

"A joint stock limited company" means a corporate legal person incorporated under the Company Law, whose registered capital is divided into shares of equal par value. The liability of its shareholders is limited to payment of the price of the shares subscribed for by them and the liability of a company is limited to the full value of all the property owned by it.

A company must conduct its business in accordance with laws as well as public and commercial ethics. A company may invest in other limited liability companies. The liabilities of the company to such invested companies are limited to the amount invested. Unless otherwise provided by laws, a company shall not be the capital contributor of an enterprise if such investment may subject such company to joint and several liabilities for the debts incurred by the invested enterprises.

Incorporation

A joint stock limited company may be incorporated by promotion or subscription. A joint stock limited company may be incorporated by a minimum of one but not more than 200 promoters, and at least half of the promoters must have residence within the PRC.

The promoters shall convene an inaugural meeting of the company within 30 days after the share capital has been paid-up and shall notified all subscribers of the date of meeting or make an announcement in this regard 15 days before the meeting. The inaugural meeting may be held only with the presence of promoters and subscribers holding more than 50% of the total number of shares. Powers to be exercised at the inaugural meeting include but not limited to the adoption of articles of association and the election of members of the board of directors and the supervisory committee of a company. The aforesaid matters shall be resolved by more than 50% of the votes cast by subscribers present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to the registration authority for registration of the incorporation of the joint stock limited company. A company is formally established and has the status of a legal person after a business license has been issued by the competent registration authority.

Registered Shares

Under the Company Law, shareholders may make capital contributions in cash, or with non-monetary property that may be valued in money and legally transferred, such as contribution in kind or with an intellectual property rights, land use rights, equity interests or debt claims.

The Trial Measures provides that domestic enterprises that are listed overseas may raise funds and distribute dividends in foreign currencies or Renminbi.

Under the Company Law, a joint stock limited company is required to maintain a register of shareholders, detailing the following information: (i) the name and domicile of each shareholder; (ii) the class and number of shares subscribed for by each shareholder; (iii) the serial number of shares if issued in paper form; and (iv) the date on which each shareholder acquired the shares.

Allotment and Issue of Shares

All issue of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued under the same conditions and at the same price. It may issue shares at par value or at a premium, but it shall not issue shares below the par value.

Domestic enterprises seeking an overseas listing shall file with the CSRC in accordance with Trial Measures, submit filing reports, legal opinions and other relevant materials, and truthfully, accurately and completely explain shareholder information and other information. Where a domestic enterprise plans a direct issuance of shares and overseas listing, the issuer itself shall file with the CSRC. If a domestic enterprise plans an indirect overseas listing, the issuer shall designate a major domestic operating entity as the domestic responsible person and file with the CSRC.

Increase in Share Capital

Under the Company Law, in the case of a joint stock limited company issuing new shares, resolutions shall be passed at the shareholders' meeting in respect of the class and number of new shares, the issue price of the new shares, the commencement and end dates for the issuance of new shares and the class and number of the new shares proposed to be issued to existing shareholders, if any. If no par value stock is issued, the proceeds from the issuance of the new stocks shall be included into the registered capital. Additionally, if a company intends to make public offering of shares, it is required to complete the registration with the securities regulatory authority of the State Council and announce the document.

Share Repurchase

Under the Company Law, a joint stock limited company shall not repurchase its own shares, except for any of the following circumstances:

(i) reducing the registered capital;

(ii) merging with another company that holds the shares of the company;

(iii) for the purpose of employee stocks plan or equity incentives;

(iv) where the shareholders voting against any resolution adopted at the shareholders' meeting on the merger or division of the company, exercises its right to demand the company to acquire the shares held by them;

(v) where the company repurchases its shares for the conversion of convertible corporate bonds issued by it;

(vi) in the case of a listed company, such company is required to do so to maintain the company's market value and shareholders' rights and interests.

The repurchase of the outstanding shares of a company in the case of (i) to (ii) above shall be approved by a resolution of the shareholders' meeting; the repurchase of outstanding shares of a company in the case of (iii), (v) and (vi) above may be approved by a resolution of the Board meeting attended by more than two-thirds of the directors, as authorized by the articles of association or a resolution of the shareholders' meeting.

Following the repurchase of a company's shares by a company in accordance with the above provisions, such repurchased shares shall be canceled within 10 days from the date of buy-back in the case of item (i) above; such repurchased shares shall be transferred or canceled within six months in the case of items (ii) and (iv) above; the total numbers of shares held by the company through repurchase in the case of items (iii), (v) and (vi) above shall not exceed 10% of the total issued shares of such company, and shall be transferred or canceled within three years.

Transfer of Shares

Shares held by a shareholder may be transferred according to the law. Under the Company Law, a shareholder of a joint stock limited company shall affect a transfer of his shares on a stock exchange established according to the law or by any other means as required by the State Council. Registered shares may be transferred by endorsement of shareholders or by other means stipulated by laws or administrative regulations. After the transfer, a company shall record the name and address of the transferee in the register of shareholders. No changes to the shareholder register shall be made within 20 days before a shareholders' meeting or 5 days before the ex-dividend date decided by the company. If any law, administrative regulation, or any rules promulgated by the securities regulatory authority of the State Council specifies otherwise for the modification of the register of shareholders of a listed company, such provisions should prevail.

Under the Company Law, shares issued by a joint stock limited company prior to the public offering of shares shall not be transferred within one year from the date on which the shares of the company are listed and traded on a stock exchange. The directors, supervisors and senior management of the company shall inform the company of the shares they hold and the changes thereof. During the term of office as determined when such individuals assume the posts, the shares transferred by each such individual each year shall not exceed 25% of the total shares held by him/her. Shares of a company held by its directors, supervisors and senior management shall not be transferred within one year from the date of the company's listing on a stock exchange, nor within six months after he/she leaves office.

If the shares are pledged within the time limit for restricted transfer as provided for by laws and administrative regulations, the pledgee cannot exercise the pledge right within such restricted period.

Shareholders

Under the Company Law and Guidelines for Articles of Association the rights of a shareholder of a company include:

(i) To receive dividends and other forms of interest distribution according to the number of shares held;

(ii) To legally require, convene, preside over, participate in or authorize proxies of Shareholders to attend the General Meeting and exercise corresponding voting rights;

(iii) To supervise business operations of the company, provide suggestions or submit queries;

(iv) To transfer, grant or pledge its shares according to the provisions of the laws, administrative regulations and the Articles of Association;

(v) To read and copy the Articles of Association, the register of Shareholders, General Meeting minutes, resolutions of meetings of the Board of Directors, resolutions of meetings of the Board of Supervisors and financial accounting reports Shareholders who meet the requirements may inspect the company's accounting books and documents;

(vi) To participate in the distribution of the remaining assets of the company according to the proportion of shares held upon its termination or liquidation;

(vii) To require the company to acquire the shares from shareholders voting against any resolutions adopted at the General Meeting concerning the merger and division of the company;

(viii) Other rights conferred by laws, administrative regulations, regulations of the authorities, regulatory rules of the stock exchange where the company's shares are listed, or the Articles of Association.

The obligations of a shareholder of a company include:

(i) To abide by laws, administrative regulations and the Articles of Association;

(ii) To pay in full for the Shares subscribed for by it;

(iii) Not to withdraw Shares unless prescribed otherwise in laws and administrative regulations;

(iv) Not to abuse Shareholders' rights to infringe upon the interests of the Company or other Shareholders; not to abuse the Company's status as an independent legal entity or the limited liability of Shareholders to damage the interests of the Company's creditors;

(v) To perform other duties prescribed in laws, administrative regulations, departmental rules and the securities regulatory rules of the place where the Company's shares are listed.

Shareholder's Meetings

Under the Company Law, the shareholders' meeting of a joint stock limited company is made up of all shareholders. The shareholders' meeting is the organ of authority of a company, which exercises the following functions and powers:

(i) to elect and replace directors and supervisors who are not staff representatives and determine matters relating to the remuneration of such directors and supervisors;

(ii) to approve reports of the board of directors;

(iii) to approve reports of the supervisory committee or supervisor's report;

(iv) to approve a company's profit distribution plans and loss recovery plans;

(v) to resolve on the increase or reduction of a company's registered capital;

(vi) to resolve on the issuance of corporate bonds;

(vii) to resolve on the merger, division, dissolution, liquidation or change of corporate form of a company;

(viii) to amend the company's articles of association;

(ix) other functions and powers specified in provision of the articles of association.

Under the Company Law, annual shareholders' meetings are required to be held once every year. An interim shareholders' meeting is required to be held within two months after the occurrence of any of the following circumstances:

(i) the number of directors is less than the number stipulated in the Company Law or less than two-thirds of the number specified in the articles of association;

(ii) when the unrecovered losses of a company amount to one-third of the total share capital;

(iii) shareholders individually or jointly holding 10% or more of the company's shares request;

(iv) when deemed necessary by the Board;

(v) the Supervisory Committee proposes to convene the meeting;

(vi) other circumstances as stipulated in the articles of association.

Shareholders' general meetings shall be convened by the board of directors and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or not performing his duties, the meeting shall be presided over by the Deputy Chairman. In the event that the Deputy Chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

If the board of directors is incapable of performing or is not performing its duties to convene the general meeting, the supervisory board should convene and preside over shareholders' general meeting in a timely manner. If the supervisory board fails to convene and preside over shareholders' general meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 days or more consecutively may convene and preside over the meeting by themselves.

If the shareholders who separately or aggregately hold more than 10% of the shares of the company request to convene an interim shareholders' meeting, the board of directors and the board of supervisors should, within 10 days after the receipt of such request, decide whether to hold an interim shareholders' meeting and reply to the shareholders in writing.

Under the Company Law, a shareholder may entrust a proxy to attend a shareholders' meeting, and it shall clarify the matters, power and time limit of the proxy. The proxy shall present a written power of attorney issued by the shareholder to a company and shall exercise his voting rights within the scope of authorization. There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum present in a shareholders' meeting.

Under the Company Law, shareholders present at a shareholders' meeting have one vote for each share they hold, except the shareholders of classified shares. However, shares held by the company itself are not entitled to any voting rights.

The cumulative voting system may be adopted for the election of directors and supervisors at the shareholders' meeting in accordance with the provisions of the articles of association or the resolutions of the shareholders' meeting. Under the accumulative voting system, each shareholder is entitled to one vote per share, multiplied by the number of candidates and uses them all for one candidate for director or supervisor.

Under the Company Law and the Guidelines for Articles of Association, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the shareholders' meeting. Matters relating to merger, division or dissolution of a company, increase or reduction of registered capital, change of corporate form or amendments to the articles of association must be approved by more than two-thirds of the voting rights held by the shareholders present at the meeting.

Directors

Except as otherwise provided by the Company Law, a joint stock limited company shall have a board of directors, which consists of more than three members. The term of office of a director shall be stipulated in the articles of association, but each term of office shall not exceed three years. Directors may serve consecutive terms if re-elected.

Meetings of the board of directors shall be convened at least twice a year, and written notice of such meetings shall be given to all directors and supervisors 10 days before the meeting. The Board exercises the following functions and powers:

(i) to convene shareholder's general meetings and report its work to the shareholder's general meetings;

(ii) to implement the resolutions of the shareholder's general meeting;

(iii) to decide on a company's business plans and investment plans;

(iv) to formulate a company's profit distribution plan and loss recovery plan;

(v) to formulate proposals for the increase or reduction of a company's registered capital and the issue of corporate bonds;

(vi) to formulate plans for merger, division, dissolution or change of corporate form of a company;

(vii) to decide on the internal management structure of a company;

(viii) to decide on the appointment or dismissal of the manager of a company and their remuneration; to decide on the appointment or dismissal of the deputy manager and financial officer of a company based on the nomination of the manager and as well as remuneration;

(ix) to formulate a company's basic management system;

(x) other functions and powers specified in the articles of association or granted by the shareholders' meeting.

Board meetings shall be held only if more than half of the directors are present. If a director is unable to attend a board meeting, he may appoint another director by a power of attorney specifying the scope of the authorization for another director to attend the meeting on his behalf. If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, and as a result of which the company suffers serious losses, the directors participating in the resolution shall be liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be exempt from such liability.

Under the Company Law, a person shall not serve as a director of a company if he/she is:

(i) a person without capacity or with restricted capacity;

(ii) a person having been sentenced to any criminal penalty due to an offence of corruption, bribery, encroachment of property, misappropriation of property or disrupting the order of the socialist market economy, or having been deprived of political rights due to a crime, and a five-year period has not elapsed since the expiration of execution period, or in the case of a suspension of such sentence, a two-year period has not elapsed since the expiration of the suspension of such sentence;

(iii) a person who was a director, factory manager or manager of a company or enterprise which has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, and less than three years have elapsed since the completion of the bankruptcy and liquidation of such company or enterprise;

(iv) persons who were legal representatives of a company or enterprise which had its business license revoked due to violation of the law and had been closed down by order, and who were personally liable, and less than three years have elapsed since the date of the revocation of the business license of the company or enterprise or the order for closure; and

(v) being listed as one of "dishonest persons subject to enforcement" by the people's court due to his/her failure to pay off a relatively large amount of due debts.

The board of directors shall have one chairman, who shall be elected by more than half of all the directors. The chairman shall exercise the following functions and powers (including but not limited to):

(i) to preside over shareholders' meetings and convene and preside over board meetings;

(ii) to examine the implementation of resolutions of the Board;

(iii) to exercise other powers conferred by the Board.

Supervisors

Pursuant to the PRC Company Law, a company shall have a supervisory board composed of not less than three members. A joint stock limited company may, in accordance with its articles of association, instead of having set up a supervisory board or supervisors, establish an audit committee that comprises directors of the Board of Directors and exercises the functions and powers of the supervisory board as stipulated in this Law. A joint stock limited company with a smaller scale or fewer shareholders may appoint one supervisor without establishing a supervisory board to exercise the functions and powers prescribed for the supervisory board by the Company Law. The supervisory board shall consist of representatives of the shareholders and an appropriate proportion of representatives of the company's staff, among which the proportion of representatives of the company's staff shall not be less than one-third, and the actual proportion shall be determined in the articles of association.

The Supervisory Committee exercises the following powers:

(i) to examine the company's financial affairs;

(ii) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, administrative regulations, the articles of association or resolutions of shareholders' meetings;

(iii) to demand rectification by a director or senior management when the acts of such persons are harmful to the company's interest;

(iv) to propose the convening of extraordinary shareholders' meetings, and to convene and preside over shareholders' meetings when the Board fails to perform the duty of convening and presiding over shareholders' meetings under the Company Law;

(v) to submit proposals to the shareholders' meeting;

(vi) to initiate legal proceedings against directors and senior management in accordance with the Company Law;

(vii) other functions and powers specified in the articles of association.

Senior Management

Under the Company Law, a joint stock limited company shall have a manager who is appointed or removed by the board of directors. The manager is responsible to the board of directors and exercise his/her functions and powers according to the Articles of Association or the authorization of the board of directors. The manager attends the meetings of the board of directors as a non-voting member. However, the manager shall have no voting rights at meetings of the board of directors unless he/she concurrently serves as a director.

According to the Company Law, senior management shall refer to the manager, deputy manager(s), head of financial, secretary of the board of directors and other personnel as stipulated in the articles of association of the company.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the company are required under the Company Law to comply with the relevant laws, regulations and the articles of association, and have fiduciary and diligent duties to the company. Directors, supervisors and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating the company's properties.

Directors, supervisors and senior management are prohibited from:

(i) embezzling the company's property or misappropriating of the company's capital;

(ii) depositing the company's capital into accounts under his own name or the name of other individuals;

(iii) giving bribes or accepting any other illegal proceeds by taking advantage of their power;

(iv) accept and possess commissions paid by a third party for transactions conducted with the company;

(v) unauthorized divulgence of confidential business information of the company; or

(vi) other acts in violation of their fiduciary duty to the company.

If any director, supervisor or senior management directly or indirectly concludes a contract or conducts a transaction with the company, he/she should report to the board of directors or shareholders' meeting such contract or transaction, which shall be subject to the approval of the board of directors or the shareholders' meeting according to the articles of association.

The provisions of the preceding paragraph shall apply if any near relatives of the directors, supervisors or senior management, or any of the enterprises directly or indirectly controlled by the directors, supervisors or senior management or any of their near relatives, or any related parties with any other related-party relationship with the directors, supervisors or senior management, concludes a contract or conducts a transaction with the company.

Neither director, supervisor or senior management may take advantage of his/her position to seek any business opportunity that belongs to the company for himself/herself or any other person except under any of the following circumstances:

(i) where he/she has reported to the board of directors or the shareholders' meeting and has been approved by a resolution of the board of directors or the shareholders' meeting according to the Articles of Association; or

(ii) where the company cannot make use of the business opportunity, as provided by laws, administrative regulations or the Articles of Association.

Where any director, supervisor or senior management fails to report to the board of directors or the shareholders' meeting and obtain an approval by resolution of the board of directors or the shareholders' meeting according to the articles of association, he/she may not engage in any business, either for himself/herself or for any other person, that is similar to that of the company where he/she holds office.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties and result in any loss to the company shall be personally liable for the damages to the company.

Finance and Accounting

Under the Company Law, a company shall establish its financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council. At the end of each fiscal year, the company shall prepare a financial and accounting reports which shall be audited by an accounting firm in accordance with the law. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial department of the State Council.

A joint stock limited company shall make its financial and accounting reports available at the company for inspection by the shareholders 20 days before the annual shareholders' meeting. A joint stock limited company issuing its shares in public must publish its financial and accounting reports.

When distributing each year's after-tax profits, the company shall set aside 10% of its profits into its statutory reserve fund. The company is allowed to cease to set aside statutory reserve fund if the accumulative amount of such reserve has reached 50% of the registered capital. If the statutory reserve fund of the company is insufficient to make up for the losses of the previous years, the current year profits shall be used to make up for the losses before making allocations to the statutory reserve in accordance with the preceding paragraph. After the company has made an allocation to the statutory reserve fund from its after-tax profit, it may also make an allocation to the discretionary reserve fund from its after-tax profit upon a resolution of the shareholders' meeting.

Except as otherwise provided by the Articles of Association, a joint stock limited company shall distribute profits in proportion to the number of shares held by its shareholders.

The premium received from the issuance of shares by a joint stock limited company at a price exceeding the face value of the stocks, and other items stipulated by the finance authority under the State Council to be included in the capital reserve, shall be included in the capital reserve.

A company's reserves shall be used to cover its losses, expand its production and business, or increase its registered capital. When using a company's reserves to cover its losses, any discretionary reserve and statutory reserve balances shall first be used to cover such losses; if there is still a shortfall, the capital reserve may be used in accordance with regulations. When converting statutory reserve into an increase in registered capital, the remaining balance of such reserve shall not be less than 25% of the company's registered capital before the conversion.

A company shall not have any other accounting books other than the statutory accounting books.

Appointment and Dismissal of Accounting Firms

The appointment or removal of an accounting firm by a company as its auditor shall be subject to a resolution of the shareholders' meeting, the board of directors, or the board of supervisors as stipulated in the company's articles of association. When the shareholders' meeting, the board of directors, or the board of supervisors vote on removing an accounting firm as its auditor, the accounting firm shall be allowed to state its opinions. A company shall provide truthful and complete accounting documents, accounting books, financial accounting reports, and other accounting information to its appointed accounting firm, and shall not refuse to do so or conceal or falsely state any such information.

Profit Distribution

Where a company distributes profits to its shareholders in violation of the law, the shareholders shall return the distributed profits involved in the violation to the company; if losses are caused thereby to the company, the shareholders, as well as any directors, supervisors, and senior officers responsible for the violation, shall be liable for compensation.

Dissolution and Liquidation

According to the Company Law, a company shall be dissolved if:

(i) the term of business stipulated in the Articles of Association has expired or other events of dissolution specified in the Articles of Association have occurred;

(ii) the shareholders' meeting resolves to dissolve the company;

(iii) dissolution is necessary due to a merger or division of the company;

(iv) the business license is revoked, or the business is ordered to be shut down or dissolve in accordance with laws;

(v) where the company encounters serious difficulties in its operation and management and its continuance may cause a significant loss in the interest of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10% of the total shareholders' voting rights of the company may present a petition to a people's court for the dissolution of the company with the support of the judgment.

If any of the causes for dissolution outlined in the preceding paragraph arises, the company shall disclose the cause for dissolution within 10 days through the National Enterprise Credit Information Publicity System.

Where a company falls under the circumstances specified in subparagraph (i) or (ii) above and has not yet distributed its assets to shareholders, it may continue its existence by amending its articles of association or by resolution of the shareholders' meeting, both of which shall be resolved by shareholders representing two-thirds or more of the voting rights, or by shareholders present at the meeting representing two-thirds or more of the voting rights. Where a company is dissolved pursuant to subparagraph (i), (ii), (iv), or (v) above, it shall undergo liquidation. Directors shall act as the liquidators and form a liquidation group within 15 days from the date when the cause for dissolution arises. The liquidation group shall be composed of directors, except otherwise stipulated in the company's articles of association or appointed by a resolution of the shareholders' meeting. If the liquidators fail to fulfill their liquidation obligations in a timely manner, resulting in losses to the company or its creditors, they shall be liable for compensation.

If a company required to undergo liquidation according to the Company Law fails to form a liquidation group within the prescribed period or fails to proceed with liquidation after forming a liquidation group, any stakeholders may apply to the people's court to designate relevant individuals to form a liquidation group for the liquidation. The people's court shall accept the application and promptly organize a liquidation group to conduct the liquidation.

The liquidation group shall exercise the following functions and powers during the liquidation period:

(i) to liquidate the company's assets and produce a balance sheet and a schedule of assets;

(ii) to notify the company's creditors by way of notice or public announcement;

(iii) to manage and clear the remaining business of the company;

(iv) to settle the company's outstanding taxes and any tax liabilities incurred in the course of the liquidation;

(v) to settle the company's accounts payable and recover its accounts receivable;

(vi) to dispose of the company's residual assets; and

(vii) to represent the company in any civil litigation to which it is a party.

The liquidation group shall notify the company's creditors within ten days as of its formation, and make a public announcement through a newspaper or the National Enterprise Credit Information Publicity System within 60 days upon its formation. Any creditor shall, within 30 days of receiving the notice, or within 45 days of the public announcement in the event that the creditor does not receive the notice, submit their debt claim to the liquidation group.

Any remaining assets after payment of liquidation expenses, employee wages, social security contributions, statutory severance payments, outstanding taxes, and outstanding debts, shall be distributed to shareholders on a pro rata basis, reflecting the respective proportion of capital contributed by each shareholder in the case of a limited liability company, or the respective proportion of shares held by each shareholder in the case of a joint stock limited company.

During the liquidation period, the company shall continue to exist but shall not carry out any business activities unrelated to the liquidation. The company's assets shall not be distributed to the shareholders before the liquidation in accordance with the preceding paragraph.

If, after liquidating the assets of the company and formulating a balance sheet and a schedule of assets, the liquidation group discovers that the company's assets are insufficient to fully cover its debts, it shall file a bankruptcy application with the people's court. After the people's court accepts the bankruptcy application, the liquidation group shall hand over liquidation affairs to the administrator designated by the people's court.

Upon the completion of the liquidation of a company, the liquidation group shall prepare a liquidation report and submit it to the shareholders' meeting or the people's court for confirmation, as well as to the company registration authority to apply for deregistration of the company.

Members of the liquidation group shall fulfill liquidation responsibilities with a duty of loyalty and diligence. Any member of the liquidation group who neglects their liquidation responsibilities and causes losses to the company shall be liable for compensation; if losses are caused to any creditor due to intent or gross negligence, such member shall be liable for compensation.

In the case where a company has its business license revoked, or is ordered to shut down or dissolve and fails to apply for deregistration with the company registration authority within a period of three years, the company registration authority may announce the case through the National Enterprise Credit Information Publicity System, with an announcement period of no less than 60 days. Upon the expiration of the announcement period without objection, the company registration authority may deregister the company, which, however, does not affect the obligations of the company's original shareholders and liquidators.

Overseas Listing

According to the Trial Measures, where an issuer applies to an overseas stock exchange for an overseas initial public offering and listing, or where a company listed on an overseas stock exchange seeks a listing on another overseas stock exchange, it shall, within 3 working days after the submission of such application, file with the CSRC. If a listed company issues securities on the same overseas stock exchange where it is listed, it shall file with the CSRC within 3 working days after the completion of the issuance. Moreover, if the filing materials are complete and meet the requirements, the CSRC shall complete the filing within 20 working days from the date of receiving the filing materials, and publicize the filing information through its website. If the filing materials are incomplete or do not meet the requirements, the CSRC shall notify the applicant to have the materials supplemented within 5 working days after the receipt by CSRC of the filing materials. The applicant shall supplement the materials within 30 working days.

SECURITIES LAW AND REGULATIONS

In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the executive organizations of provision of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by Chinese companies in mainland China or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking research and analysis. On 29 March 1998, the State Council consolidated the two departments above and reformed the CSRC.

The Securities Law of the People's Republic of China (《中華人民共和國證券法》), or the PRC Securities Law, which was amended by the Standing Committee of the NPC on 28 December 2019 and came into effect on 1 March 2020, provides for a series of provisions regulating, among other things, the issuance and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities in the PRC, and comprehensively regulates activities in the PRC securities market. The PRC Securities Law provides that a domestic enterprise must comply with the relevant provisions of the State Council in issuing securities directly or indirectly outside the PRC or listing and trading its securities outside the PRC. Currently, the issuance and trading of foreign issued shares are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

Under the Arbitration Law of the People's Republic of China (《中華人民共和國仲裁法》), or the Arbitration Law, amended by the Standing Committee of the NPC on September 1, 2017 and effective on January 1, 2018, the Arbitration Law is applicable to economic disputes involving foreign parties, and all parties have entered into a written agreement to refer the matter to an arbitration committee constituted in accordance with the Arbitration Law. An arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with relevant regulations under the Arbitration Law and the PRC Civil Procedure Law. Where both parties have agreed to settle disputes by means of arbitration, the people's court will refuse to take legal action brought by a party in the people's court.

Under the Arbitration Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement according to the PRC Civil Procedure Law. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural irregularity (including irregularity in the composition of the arbitration committee or the making of an award on matters beyond the scope of the arbitration agreement or the jurisdiction of the arbitration commission). A party seeking to enforce an arbitral award of foreign arbitration commission against a party who or whose property is not within the PRC shall apply to a foreign court with jurisdiction over the case for recognition and enforcement. Similarly, an arbitral award made by a foreign arbitration institution may be recognized and enforced by the people's court in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

According to the Arrangement of the Supreme People's Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的安排》) promulgated by the Supreme People's Court on 24 January 2000 and effective on 1 February 2000, and the Supplementary Arrangement of the Supreme People's Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排》) promulgated by the Supreme People's Court on 26 November 2020 and effective on 27 November 2020, arbitral awards made by PRC arbitral institutions can be recognized and enforced by the court in Hong Kong, and vice versa.

1. SHARES, REGISTERED CAPITAL AND TRANSFER OF SHARES

Shares of the Company are represented by stock.

The shares of the Company shall be issued based on the principle of openness, fairness and impartiality and shall rank pari passu with each other in all respects within the same class.

Shares of the same class issued at the same time shall be issued under the same condition and at the same price per share. The same price shall be paid for each of the shares subscribed for by subscribers.

The Company shall not provide financial assistance to others for obtaining the shares of the Company or its parent company in the form of gifts, advances, guarantees, loans, etc., except as otherwise provided by laws, administrative regulations, rules, the China Securities Regulatory Commission and the Hong Kong Stock Exchange.

2. INCREASE AND REDUCTION IN CAPITAL AND REPURCHASE OF SHARES

The Company may, in light of its operational and developmental needs and in accordance with the provisions of the laws, regulations and securities regulatory rules of the place where the Company's shares are listed, increase its capital by any of the following methods, subject to resolutions made individually at the general meeting:

- a public offering of Shares;
- a non-public offering of Shares;
- distributing bonus shares to its existing Shareholders;
- increase in share capital by way of conversion from capital reserve;
- other methods specified by the laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed, and the China Securities Regulatory Commission and the Hong Kong Stock Exchange.

The Company may reduce its registered capital. Such reduction shall be made in accordance with the procedures set out in the Company Law and other relevant regulations, the Hong Kong Listing Rules, other securities regulatory rules of the place where the company's stocks are listed, and the Articles of Association.

The Company shall not purchase its own shares, except in any of the following circumstances:

- To reduce the registered capital of the Company;
- To merge with other company that holds its shares;
- To use the shares for the employee stock ownership plan or equity incentive;
- The shareholders raise objections to resolutions of the general meeting on the merger or division of the Company, and thus requiring the Company to acquire their shares;
- To use the shares for the conversion of the convertible corporate bonds issued by the Company;
- Necessary for the Company to protect its value and the shareholders' equity;
- Any other circumstances permitted by the laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed.

3. SHARE TRANSFER

The Company shall not accept its own stock as the subject of a pledge.

Shares that have been issued before the public offering shall not be transferred for a period of one year commencing from the date of listing and trading of the Company's shares on a stock exchange.

The directors and senior officers of the Company shall declare the number of shares held by them and any changes therein. The number of shares transferred each year during their term of office as determined at the time of their assumption of office shall not exceed 25% of the total number of shares of the Company in the same class held by them. The shares of the Company held by them shall not be transferred within 1 year from the listing and trading date of the shares of the Company. These people shall not transfer the shares of the Company held by them within half of the year from their departure from the Company.

Where laws, administrative regulations or the securities regulatory authorities under the State Council or other securities regulatory rules of the place where the Company's shares are listed otherwise provide for the transfer of shares of the Company held by shareholders, such provisions shall prevail.

For shareholders holding more than 5% of the Company's shares, directors and senior officers, if they have sold the shares of the Company or other securities with equity nature held by them within six months after purchasing, or if they have purchased such shares or securities again within six months after selling them, the gains obtained therefrom shall be attributed to the Company and be forfeited by the Board of Directors of the Company. However, securities companies holding more than 5% of the shares due to the purchase of the remaining shares after underwriting, and other circumstances stipulated by the CSRC are excluded.

The shares or other securities with an equity nature held by directors, senior officers and natural person shareholders as mentioned in the preceding paragraph shall include the shares or other securities with an equity nature held by their spouses, parents, children, and those held in the accounts of others.

4. RIGHTS AND OBLIGATIONS OF SHAREHOLDERS

The Company shall establish a register of shareholders based on the certificates provided by securities registries. The register of shareholders shall be the sufficient evidence of the shareholders' holding of the Company's shares. Shareholders shall enjoy the rights and assume the obligations according to the classes of the shares they hold. Shareholders holding the same class of shares shall enjoy the same rights and assume the same obligations.

When the Company convenes a general meeting, distributes dividends, engages in liquidation or makes other conducts that require the identification of shareholders, the Board of Directors or the convener of the general meeting shall determine the Record Date for registration of shareholding. Shareholders included in the register of shareholders at the close of business on the Record Date shall be the shareholders entitled to the relevant rights and interests.

Shareholders of the Company shall have the following rights:

- the right to speak and vote at the shareholders' meeting, unless required by the Hong Kong Listing Rules to waive voting rights on individual matters;
- to receive dividends and other forms of benefits in proportion to the number of shares held;
- to request, convene, chair, attend and vote in person or appoint a proxy to attend and vote on his behalf at the general meetings in accordance with laws and the corresponding voting rights;
- to supervise the Company's operations, and to put forward proposals and raise inquiries;
- to transfer, bestow or pledge the shares they hold in accordance with laws, administrative regulations and the provisions of the Articles of Association;

- to inspect or copy the Articles of Association, the register of shareholders, the minutes of the shareholders' meeting, the resolutions of the board of directors' meeting, and the financial accounting reports, and shareholders who meet the requirements may also inspect the company's accounting books and accounting vouchers;

- to participate in the distribution of the residual assets of the Company according to the number of Shares held, in the event of the termination or winding up of the Company;

- the shareholders disagreeing with the resolution of the general meeting on merger or separation are entitled to ask the Company to acquire their Shares;

- other rights stipulated by laws, administrative regulations, department rules, the Hong Kong Listing Rules or the Articles of Association.

Shareholders of the Company shall assume the following obligations:

- to comply with the laws, administration regulations, departmental rules, regulatory rules of the place where the company's stocks are listed and the Articles of Association;

- to pay subscription moneys for the Shares subscribed in accordance with the agreed manner of payment;

- not to withdraw share capital from the Company except for the circumstances set out in the relevant laws and administrative regulations;

- not to abuse shareholder's rights to infringe upon the interests of the Company or other shareholders; not to abuse the independent legal entity status of the Company and the limited liability of shareholders to infringe upon the interests of the creditors of the Company;

- to perform other obligations prescribed in laws, administrative regulations, regulatory rules of the place where the Company's shares are listed and the Articles of Association.

Where the abuse of shareholders' rights causes any loss to the company or other shareholders, such abusive shareholder shall be liable for compensation in accordance with the law. Where shareholders of the Company take advantage of the Company's independent status as a legal person or the limited liability of shareholders to evade debts and seriously infringe upon the interests of the Company's creditors, such shareholders shall be jointly and severally liable for the debts of the company.

5. GENERAL MEETINGS

General provisions

The general meeting is the body by which the Company exercises its powers, and shall exercise the following powers in accordance with the law:

- to elect and replace directors not represented by employee representatives and to decide on matters relating to the remuneration of directors;
- to examine and approve reports of the Board;
- to examine and approve profit distribution plans and loss recovery plans of the Company;
- to make resolutions concerning the increase or reduction of the Company's registered capital;
- to make resolutions on the issuance of corporate bonds;
- to make resolutions on matters such as the merger, division, dissolution, liquidation or change of corporate form of the Company;
- to amend the Articles of Association;
- to make resolution on the appointment, dismissal of the accounting firm undertaking the Company's auditing business and the determination of their remuneration;
- to examine and approve the guarantee matters provided for in Article 47 of the Articles of Association;
- to examine matters relating to the Company's purchase and sale of material assets within one year that exceed 30% of the audited total assets of the Company in the most recent period;
- to examine and approve matters concerning changes in the use of funds raised;
- to examine the equity incentive scheme and Employee Stock Ownership Plan;
- to examine other matters that shall be decided by the general meeting as stipulated by laws, administrative regulations, departmental rules, Hong Kong Listing Rules, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

The general meeting can authorize the board of directors to make resolutions on the issuance of corporate bonds.The company may issue stocks or corporate bonds convertible into stocks upon resolution of the shareholders' meeting or by resolution of the board of directors upon authorization by the shareholders' meeting. The specific implementation shall comply with the provisions of laws, administrative regulations, the China Securities Regulatory Commission and the Hong Kong Stock Exchange.

The general meetings shall be classified into the annual general meetings and the extraordinary general meetings. The annual general meeting shall be convened once a year, and shall be held within six months after the prior fiscal year ends.

The Company shall convene an extraordinary general meeting within two months from the date of the occurrence of any of the following circumstances:

- when the number of directors falls below the number prescribed in the Company Law or less than two-thirds of the number prescribed by the Articles of Association;
- when the uncovered loss of the Company amounts to one-third of the total share capital of the Company;
- when shareholders who individually or collectively hold no less than 10% of the Company's outstanding voting shares request in writing the convening of an extraordinary shareholders' meeting (the number of shares held shall be calculated as of the date when the shareholders make the written request);
- when the Board considers it necessary;
- when the Audit and Risk Committee proposes such a meeting be held;
- other circumstances stipulated by the laws, administrative regulations, departmental rules, Hong Kong Listing Rules and other securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

Convening of the General Meeting

The board of directors shall convene the shareholders' meeting on time within the prescribed period. With the consent of more than half of all independent directors, independent directors shall have the right to propose to the Board to convene an extraordinary general meeting (EGM). For the proposal of independent directors of convening an EGM, the Board of Directors shall, pursuant to the provisions of laws, administrative regulations, Hong Kong Listing Rules and other securities regulatory rules of the place where the Company's shares are listed and the Articles of Association, give a written feedback on whether it consents to convene the EGM or not within ten days upon receipt of the proposal.

If agreeing to convene an EGM, the Board shall, within five days after the Board resolution is made, issue a notice calling for the general meeting. If the Board does not agree to convene such meeting, the reasons shall be stated and announced.

The Audit and Risk Committee has the right to propose to the Board to convene an EGM, and shall make such proposal in writing. The Board of Directors shall, pursuant to the provisions of laws, administrative regulations, Hong Kong Listing Rules and other securities regulatory rules of the place where the Company's shares are listed and these Articles of Association, give a written feedback on whether it consents to convene the EGM or not within ten days upon receipt of the proposal.

When the Board of Directors agrees to convene an EGM, the Board of Directors shall, within 5 days after the Board resolution is made, issue a notice calling for the general meeting. Changes in the original proposal in the notice shall be subject to the approval of the Audit and Risk Committee.

When the Board of Directors does not agree to convene an EGM, or does not provide written feedback within 10 days upon receipt of the proposal, the Board of Directors shall be considered to be unable or fail to perform the duty of convening an EGM. The Audit and Risk Committee may convene and preside over the meeting on its own.

The shareholders who individually or jointly hold more than 10% of the shares of the Company shall have the right to propose to the Board of Directors for convening of an EGM, and shall make such request to the Board of Directors in writing. The Board of Directors, pursuant to the provisions of laws, administrative regulations, Hong Kong Listing Rules and regulatory rules of the place where the Company's shares are listed and the Articles of Association, make a decision on whether to convene the EGM or not within ten days upon receipt of the request and provide a written reply to the shareholders.

When the Board of Directors agree to convene an extraordinary general meeting, it shall, within five days after the Board resolution is made, issue a notice calling for the general meeting. Changes in the original proposal in the notice shall be subject to the approval of the relevant shareholders.

When the Board of Directors do not agree to convene an extraordinary general meeting, or do not provide feedback within ten days upon receipts of the request, shareholders who individually or collectively holding more than 10% of the Company's shares, are entitled to propose to the Audit and Risk Committee that an EGM be held; any such request to the Audit and Risk Committee shall be made in writing.

Where the Audit and Risk Committee agrees to hold an EGM, it shall send out a notice of general meeting within five days of receiving the request. No change shall be made to the original proposal in the notice unless approved by the corresponding shareholders.

Where the Audit and Risk Committee fails to send out a notice of general meeting within the stipulated period of time, it shall be deemed to have failed to convene and preside over the general meeting, and shareholders individually or collectively holding 10% or more of the Company shares for 90 consecutive days or more may convene and preside over the meeting themselves.

Proposals and Notices of General Meetings

When the Company convenes the general meeting, the Board of Directors, Audit and Risk Committee and shareholders holding not less than 1% of the shares of the Company individually or collectively are entitled to submit proposals to the Company.

The shareholders holding more than 1% of the shares of the Company individually or collectively may raise temporary proposal and submit it to the Board of Directors in writing 10 days before the general meeting is held. The Board of Directors shall supplement the notice of general meeting in 2 days after receiving the proposal and publicize the content of the temporary proposal, and submit the temporary proposal to the shareholders' meeting for deliberation. However, temporary proposals that violate laws, administrative regulations, the Hong Kong Listing Rules, other securities regulatory rules of the place where the Company's stocks are listed, or the Company's articles of association, or are not within the terms of reference of the shareholders' meeting, are excluded.

Save as the cases specified in the preceding paragraph, the convener shall neither revise the proposals set out in the notice of general meetings nor add new proposals after issuing the notice of general meeting.

The general meeting shall not vote or make resolutions on proposals that are not listed in the notice of the general meeting or that are not in conformity with the provisions of the Articles of Association.

Holding of general meetings

All the shareholders or their proxies registered on the record date of equity shall be entitled to attend the shareholders' meeting and exercise their voting rights in accordance with relevant laws and regulations, the Hong Kong Listing Rules, other securities regulatory rules of the place where the company's stocks are listed and these articles of association.

The general meeting shall be presided over by the Chairman of the Board of Directors. If the Chairman of the Board of Directors is unable or fails to perform his/her duties, the Deputy Chairman of the Board of Directors shall preside over the meeting; and if the Deputy Chairman unable or fails to perform his/her duties, a director elected by a majority of the directors shall preside over the meeting.

A general meeting convened by the Audit and Risk Committee shall be presided over by the convener. If the convener is unable or fails to perform his/her duties, a member of the Audit and Risk Committee elected by more than half of the members of the Audit and Risk Committee shall preside over the meeting.

A general meeting convened by the shareholders themselves shall be chaired by the convener or his/her selected representative.

During the course of a general meeting, if the chairperson of a meeting violates the rules of procedure and makes it impossible for the shareholders' meeting to proceed, with the consent of more than half of the shareholders with voting rights present at the shareholders' meeting, the shareholders' meeting may elect one person to serve as the chairperson of the meeting, and continue the meeting.

Voting and Resolutions of General Meetings

The resolutions of a general meeting are classified into ordinary ones and special ones.

Ordinary resolutions of the general meeting shall be passed by more than half of the voting rights held by the shareholders (including their proxies) present at the meeting.

Special resolutions of the general meeting shall be adopted by more than two-thirds of the voting rights held by the shareholders (including proxies) present at the meeting.

The following matters shall be resolved by way of ordinary resolution of the general meeting:

- work reports of the Board of Directors;
- profit distribution proposals and proposals for making up losses formulated by the Board of directors;
- appointment, dismissal or non-renewal of the appointment of the accounting firm and its remuneration;
- other matters other than those that shall be resolved by special resolutions according to laws, administrative regulations, Hong Kong Listing Rules or other securities regulatory rules of the place where the Company's shares are listed or the Articles of Association.

The following matters shall be resolved by way of special resolution of the general meeting:

- increase or reduction of the Company's registered capital;

- separation, division, merger, dissolution and liquidation of the Company;
- amendments to the Articles of Association;
- the Company's purchase and disposal of material assets within one year or provision of guarantee amount to others exceeding thirty percent of the latest audited total assets of the Company;
- the equity incentive plan;
- make resolutions on the issuance of corporate bonds or other securities and the listing plan;
- other matters required to be resolved by way of a special resolution by the laws, administrative regulations, departmental rules, Hong Kong Listing Rules and other securities regulatory rules of the place where the Company's shares are listed or the Articles of Association, and matters which, according to an ordinary resolution of the general meeting, may have a significant impact on the Company and shall be resolved by way of a special resolution.

6. DIRECTORS AND THE BOARD

Directors

Directors shall be elected or replaced by the general meeting and may be removed from office by the general meeting before the expiration of their term of office. The Directors have a tenure of three years and can be re-elected upon the expiry of the tenure. Directors represented by employee representatives are democratically elected by the Company's employees through the employee representative assembly, the employee general assembly or other forms of democratic election, and do not need to be submitted to the shareholders' meeting for deliberation.

The term of office of directors shall last from the date on which the directors take office to the expiration of the term of office of the current Board of Directors. If a director is not re-elected in time upon expiration of his/her term of office, such director, before the new elect takes his office, shall continue the performance of his duties in accordance with laws, administrative regulations, department rules, Hong Kong Listing Rules and other securities regulatory rules of the place where the Company's shares are listed and the articles of association.

A director may be the general manager or other senior officer concurrently, provided that the total number of directors who concurrently serve as the general manager or other senior officers and directors who are employee representatives shall not exceed half of the total number of directors of the Company.

Board of Directors

The company shall establish a board of directors, which shall consist of no more than nine directors, including one employee representative director. The proportion of independent non-executive directors among the Board members shall not be less than one-third. The company shall have one Chairman and may have a Deputy Chairman. The Chairman and the Deputy Chairman shall be elected by the Board of Directors with a majority of all the directors. The Board shall exercise the following functions and powers:

- to convene general meetings and presenting reports thereto;
- to implement the resolutions adopted by the general meeting;
- to decide on the Company's business plans (covering the Company and its controlled subsidiaries (hereinafter referred to as the "Group Company")) and investment plans;
- to formulate the profit distribution plan and loss recovery plan of the Company;
- to formulate the plans of increasing or decreasing the Company's registered capital, issuing corporate bonds or other securities, and going public;
- to draw up the plans for major acquisitions of the Company, the purchase of its own shares or merger, division, dissolution or change of corporate form of the Company;
- to decide, within the scope authorized by the shareholders' meeting, on matters such as the Company's external investment, acquisition and disposal of assets, asset mortgage, external guarantee, entrusted financial management, connected transactions, and external donations;
- to determinate the setup of the Company's internal management structure;
- to appoint or dismiss the general manager, secretary to the Board and other senior officers of the Company, and decide on matters of remuneration, rewards and punishments; to appoint or dismiss senior officers such as deputy general manager and chief financial officer according to the nomination of the general manager, and decide on matters of remuneration, rewards and punishments;
- to formulate the basic management system of the Company;
- to formulate proposals for any amendment to the Articles of Association;
- to manage the information disclosure of the Company;

- to propose to the general meeting to engage or replace the accounting firm that provides audit for the Company;
- to debrief the work report of the general manager of the Company and inspect the works of the general manager; and
- any other functions and powers granted by the laws, administrative regulations, departmental rules, Hong Kong Listing Rules, and other securities regulation rules of the place where the Company's shares are listed or the Articles of Association.

Matters beyond the scope of authorization by the shareholders' meeting shall be submitted to the shareholders' meeting for deliberation.

Special Committees of the Board of Directors

The Board of Directors of the Company establishes an Audit and Risk Committee to exercise the powers and functions of the Supervisory Board as stipulated in the Company Law.

The Audit and Risk Committee consists of three members, who are non-executive directors and do not hold senior management positions in the company. Among them, there are two independent directors, and the Committee is chaired by an independent director.

The Board of Directors of the Company shall establish other special committees such as strategy and investment, nomination, remuneration and appraisal, etc., which shall perform their duties in accordance with the Articles of Association and the authorization of the Board of Directors. The proposals of the special committees shall be submitted to the Board of Directors for review and decision. The working procedures of the special committees shall be formulated by the Board of Directors. The chairperson and composition of the Nomination Committee and the Remuneration and Appraisal Committee shall comply with the relevant requirements stipulated by laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, other securities regulatory rules of the place where the Company's shares are listed, or the relevant regulatory authorities.

7. SENIOR OFFICERS

The Company has a general manager, a number of deputy general managers, a chief financial officer and a secretary to the Board of Directors, all of whom shall be appointed or dismissed by the Board of Directors.

The general manager, deputy general manager, secretary to the Board of Directors and chief financial officer are the senior officers of the Company.

The general manager shall be accountable to the Board and exercise the following powers and functions:

- to be in charge of the Company's production, operation and management, organize the implementation of resolutions of the Board of Directors, and report to the Board of Directors;
- to organize the implementation of the Company's annual business plans and investment plans;
- to prepare the proposal for the setup of the Company's internal management structure;
- to prepare the Company's basic management system;
- to formulate the detailed rules and regulations of the Company;
- to propose to the Board of Directors the appointment or dismissal of the Company's deputy general manager and chief financial officer;
- to decide to appoint and dismiss the responsible management personnel other than those to be appointed and dismissed by the Board of Directors;
- other functions and powers granted by the Articles of Association or the Board of Directors.

The general manager shall attend the meetings of the Board. If the general manager does not serve as a director of the company, he/she shall not have the voting right at the Board meetings.

8. QUALIFICATIONS OF DIRECTORS AND SENIOR MANAGEMENT

The directors and senior management of the Company shall be natural persons. A person in any of the following categories shall not serve as a director or senior management of the Company:

- persons without capacity or with limited capacity for civil conduct;
- persons who were sentenced for crimes of corruption, bribery, encroachment or embezzlement of property or disruption of the order of a socialist market and economy, where five years have not lapsed following the serving of the sentence, or persons who were deprived of their political rights for committing a crime, where five years have not lapsed following the serving of the sentence, or in case of a suspended sentence, not more than two years have elapsed since the date of expiration of the probationary examination period;

- persons who acted as directors, or factory managers or managers of bankrupt or liquidated companies or enterprises is personally liable for the bankruptcy or liquidation of such companies or enterprises, where three years have not lapsed following the date of completion of such bankruptcy or liquidation;

- persons who were legal representatives of a company or enterprise, which had its business license revoked due to a violation of the law and were ordered to close down, and who were personally liable for the revocation of business license of such company or enterprise, where less than three years have elapsed since the date of the revocation of business license of such company or enterprise;

- persons who have been listed by the People's Court as a party subject to execution in breach of trust as he/she has failed to settle a debt of a relatively large amount by the due date;

- persons who are imposed by the CSRC a ban from entering the securities market for a period which has not yet expired;

- other requirements stipulated in the laws, administrative regulations, departmental rules, other normative documents, Hong Kong Listing Rules, and other securities regulatory rules of the place where the Company's shares are listed.

Election, appointment or employment of directors in violation of the above provisions shall be invalid. In the event that the circumstances as stipulated in this Article arise during the term of office of any Director, the Company shall dismiss the relevant person and cease him/her from performing his/her duties.

9. FINANCIAL ACCOUNTING SYSTEMS

The Company shall formulate its own financial accounting systems in accordance with laws, administrative regulations, and rules of the relevant authorities of the State. Where the securities regulatory authority of the place where the Company's shares are listed stipulate otherwise, such provisions shall prevail.

The company shall prepare the Company's annual financial accounting report within four months after the end of each fiscal year and its interim financial accounting report within two months from the end of the first half of each fiscal year. The above-mentioned financial accounting reports shall be prepared, submitted, announced and disclosed in accordance with the relevant laws, administrative regulations, departmental rules, the Hong Kong Listing Rules and other securities regulatory rules of the place where the Company's shares are listed.

10. PROFIT DISTRIBUTION

When the Company distributes the after-tax profits of the current year, it shall withraw and allocate 10% of the profits into the statutory reserve fund. If the accumulated amount of the statutory reserve fund reaches 50% or more of the Company's registered capital, the Company is released from the obligation of making further withdrawal.

Where the statutory reserve fund of the Company is not sufficient to recover its losses in the previous years, the profits of the current year shall be used to make up the loss before withdrawing the statutory reserve fund in accordance with the provisions of the preceding paragraph.

After making allocation to the statutory reserve fund of the Company from its after-tax profits, the Company may, subject to resolutions passed at the general meeting, also allocate funds from the after-tax profits to the discretionary reserve fund.

The remaining after-tax profits of the Company after making up the losses and withdrawing the reserve may be distributed according to the proportion of shares held by shareholders, unless otherwise provided in the Articles of Association.

In the event that the shareholders' meeting violates the Company Law by distributing profits to shareholders, the shareholders shall return the profits distributed in violation of the regulations to the Company. If losses are caused to the company, shareholders and the directors and senior management who are responsible shall bear the liability for compensation.

No profits shall be distributed in respect of the Company's Shares held by the Company.

11. APPOINTMENT OF ACCOUNTING FIRMS

The Company shall engage an accounting firm that complies with the provisions of the Securities Law, Hong Kong Listing Rules, and other securities regulatory rules of the place where the Company's shares are listed to conduct audits of financial statements, net asset verification, and offer other relevant consulting services. The term of engagement of such accounting firm shall be one year, which is renewable.

The appointment and dismissal of the Company's accounting firm shall be submitted to the Board of Directors for deliberation and decided by the general meeting after being approved by a majority of all the members of the Audit and Risk Committee. The Board of Directors shall not appoint an accounting firm prior to the decision of the general meeting.

12. DISSOLUTION AND LIQUIDATION

The Company shall be dissolved for the following reasons:

- business term specified in the Articles of Association expires or or the occurrence of other causes of dissolution provided for in these Articles of Association;
- the general meeting resolves to dissolve the Company;
- a dissolution is required due to merger or division of the Company;
- the Company is revoked of business license according to law, or ordered to close down or canceled;
- there is severe difficulty in the operation and management of the Company, and the continued existence of the Company will have material prejudice to the interests of the shareholders and there is no other way to resolve, shareholders holding an aggregate of ten percent or more of the voting rights of all shareholders of the Company may make a petition to the People's Court to dissolve the Company.

If the Company is dissolved for any of the reasons as prescribed in the preceding paragraph, it shall, within ten days, make public the reason for dissolution through the National Enterprise Credit Information Publicity System.

If the Company is in the situation set forth in paragraphs 1 and 2 of the preceding article and has not yet distributed its property to its shareholders, it may survive by amending its Articles of Association or by a resolution of the general meeting. Amendments to the Articles of Association or resolutions of general meeting made in accordance with the provisions of the preceding paragraph shall be approved by more than two-thirds of the voting rights held by the shareholders attending the general meeting.

In the event that the Company is dissolved under the circumstances set forth in items 1, 2, 4 and 5 of the preceding Article, it shall be liquidated. The directors shall be the Company's liquidation obligors and shall establish a liquidation team to carry out the liquidation within fifteen days from the date on which the cause of dissolution arises. The liquidation committee shall consist of the directors, unless otherwise provided for in the Articles of Association or the general meeting resolves to elect other persons.

The liquidation committee shall notify the creditors within ten days from the date of its establishment and make a public announcement in a newspaper at or above the provincial level or in the National Enterprise Credit Information Publicity System within sixty days. The creditors shall declare their credit rights to the liquidation committee within thirty days from the date of receipt of the notice, or within forty-five days from the date of the announcement if the creditors have not received the notice. When declaring the creditors' rights, the creditors shall explain the relevant matters of the creditors' rights and provide supporting materials. The liquidation committee shall register the credit rights. During the period of application for credit rights, the liquidation committee shall not make any settlement with the creditors.

After the liquidation committee has thoroughly examined the Company's assets and prepared a balance sheet and schedule of assets, it shall formulate a liquidation plan and submit such plan to the general meeting or the people's court for confirmation.

The remaining assets of the company's property after payment of liquidation expenses, employees' salaries, social insurance costs and statutory compensation, payment of taxes owed and settlement of the company's debts, respectively, shall be distributed by the company in accordance with the proportion of shares held by the shareholders.

During the liquidation period, the Company shall continue to exist but shall not carry out any business activities unrelated to the liquidation.

The property of the Company shall not be distributed to shareholders until all liabilities have been settled in accordance with the provisions of the preceding paragraph.

If the liquidation committee, having thoroughly examined the Company's property and prepared a balance sheet and schedule of assets, finds that the Company's property is insufficient to settle its liabilities in full, it shall immediately file an application for bankruptcy and liquidation with the People's Court.

After the people's court accepts the bankruptcy application, the liquidation committee shall hand over the liquidation affairs to the bankruptcy administrator appointed by the people's court.

Upon completion of the liquidation of the Company, the liquidation committee shall prepare a liquidation report and submit the report to the general meeting or the people's court for confirmation, and shall submit it to the company registration authority to apply for cancellation of the registration of the Company.

13. AMENDMENT TO THE ARTICLES OF ASSOCIATION

The Company shall amend the Articles of Association under any of the following circumstances:

- After the amendment of the Company Law or relevant laws, administrative regulations, Hong Kong Listing Rules and the other securities regulatory rules of the place where the Company's share are listed, the matters stipulated in the Articles of Association are in conflict with the provisions of the amended laws, administrative regulations, Hong Kong Listing Rules and other securities regulatory rules of the place where the Company's share are listed;

- There has been a change to the Company, resulting in inconsistency with the content in the Articles of Association;

- The general meeting approves to amend the Articles of Association.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

1. Incorporation

Our Company was established as a joint stock company in the PRC under the name of Shandong Futian Heavy Industry Co., Ltd. (山東福田重工股份有限公司) on September 17, 2004. As of the Latest Practicable Date, the registered capital of the Company was RMB1,145,762,606.

Our place of business in Hong Kong is at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance with the Registrar of Companies in Hong Kong on May 13, 2025. Ms. Tsui Ka Yan has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong whose address for service of process is 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

As the Company was incorporated in the PRC, its operations are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and the Articles of Association is set out in Appendices IV and V, respectively.

2. Changes in Share Capital

There has been no alteration in the share capital of the Company and its subsidiaries within two years immediately preceding the date of this document.

3. Resolutions of our Shareholders

At the general meeting of the Shareholders held on June 19, 2025, the following resolutions, among other things, were duly passed:

(a) the issue by the Company of H Shares with a nominal value of RMB1.00 each and such H Shares be listed on the Hong Kong Stock Exchange;

(b) the number of H shares to be issued shall be no more than [**REDACTED**]% of the total issued share capital of our Company as enlarged by the [**REDACTED**];

(c) authorization of the Board or its authorized individual to handle all matters relating to, among other things, the [**REDACTED**], the issue and the [**REDACTED**] of H Shares on the Hong Kong Stock Exchange; and

(d) subject to the completion of the [**REDACTED**], the conditional adoption of the Articles of Association, which shall become effective on the [**REDACTED**] and the authorization of the Board to amend the Articles of Association in accordance with relevant laws and regulations and upon the request from the Stock Exchange and relevant PRC regulatory authorities.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material:

(a) [**REDACTED**]

(b) [**REDACTED**]

2. Intellectual Property Rights

(a) Trademarks

As at the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of registration	Rights holder	Category	Registration number	Expiration date
1. .	LOVOL	PRC	The Company	7	28167147	June 27, 2029
2. .	LOVOL	PRC	The Company	12	28167146	November 27, 2028
3. .	LOVOL	PRC	The Company	7	5294121	April 27, 2029
4. .	LOVOL	PRC	The Company	12	5300940	April 20, 2029
5. .	LOVOL	PRC	The Company	4	19565252	June 13, 2027
6. .	谷 神	PRC	The Company	7	1334436	November 13, 2019
7. .	雷沃	PRC	The Company	7	5294111	April 27, 2029
8. .	雷沃	PRC	The Company	12	5300959	April 20, 2029
9. .	雷沃欧豹	PRC	The Company	12	5483466	June 6, 2029
10.	雷沃谷神	PRC	The Company	7	5483467	August 20, 2029
11. .	雷沃	PRC	The Company	4	5703322	November 20, 2029
12.	雷沃	PRC	The Company	12	58756814	May 6, 2032
13.	雷沃	PRC	The Company	7	58755917	May 27, 2032
14.	LOVOL	PRC	The Company	12	58770926	February 13, 2032
15.	LOVOL	PRC	The Company	7	58768226	April 27, 2032
16.	LOVOL	PRC	The Company	11	9725038	September 6, 2032
17.	LOVOL	PRC	The Company	6	58769067	February 13, 2032
18.	LOVOL	EU	The Company	7,12	16979981	July 13, 2027

(b) Copyright

As at the Latest Practicable Date, we had registered the following copyrights which we consider to be or may be material to our business:

No.	Copyright	Copyright owner	Registration date	Expiration date
1 . .	Hybrid tractor vehicle control software	The Company	December 27, 2024	Permanent
2 . .	Intelligent self-propelled sprayer precision spraying control software	The Company	June 8, 2022	Permanent
3 . .	High-horsepower tractor vehicle control software	The Company	January 19, 2022	Permanent
4 . .	Tractor control system fault diagnosis software	The Company	January 31, 2024	Permanent
5 . .	Baofeng Golden Wheat Second-hand Machine Trading Platform (Management Terminal) V1.0	The Company	April 10, 2023	April 10, 2073
6 . .	Baofeng Golden Wheat Second-hand Machine Trading Platform (Terminal) V1.0	The Company	March 31, 2023	March 31, 2073

(c) Patents

As of the Latest Practicable Date, we had registered the ownership of and/or had the right to use the following patents which we consider to be or may be material to our business:

No.	Patent Name	Patent owner	Patent Number	Place of registration	Expiration Date
1 . .	Data exchange methods, systems, media and equipment for virtual terminals of agricultural machinery	The Company	2022104250335	PRC	April 21, 2042

No.	Patent Name	Patent owner	Patent Number	Place of registration	Expiration Date
2 . .	Clutch start control method, device, electronic equipment, medium and tractor	The Company	2022101861996	PRC	February 28, 2042
3 . .	Automatic shift control methods, devices, electronic devices, storage media, and tractor	The Company	2022101715561	PRC	February 24, 2042
4 . .	A kind of power shift control system for tractor and tractor with it	The Company	202411139184X	PRC	August 20, 2044
5 . .	A wet PTO clutch adaptive engagement method, device and tractor	The Company	202411310741X	PRC	September 20, 2044
	A load sensing system and new energy tractor	The Company	2024112733717	PRC	September 13, 2044
6 . .	A four-segment and multi-mode continuously variable transmission device as well as a tractor	The Company	2024113108056	PRC	September 20, 2044
7 . .	A dual-motor, twospeed electric tractor transmission system and tractor	The Company	2024112753689	PRC	September 12, 2044
8 . .	A tractor power shift transmission system and tractor	The Company	2024113108037	PRC	September 20, 2044

No.	Patent Name	Patent owner	Patent Number	Place of registration	Expiration Date
9 . .	Thermal management systems, agricultural machinery, control methods and storage media	The Company	2024113107994	PRC	September 20, 2044
10. .	Tractor lifter control method, device, storage medium and tractor	The Company	2024113107424	PRC	September 20, 2044
11. .	A vehicle data processing system	The Company	2021116247606	PRC	December 29, 2041
12. .	A vehicle data processing system A signal processing circuit board and a grain loss detection sensor	The Company	202210538364X	PRC	May 17, 2042

3. Domain names

As at the Latest Practicable Date, we owned the following domain names which we consider to be or may be material to our business:

No.	Domain Name	Registered Owner	Registration date	Expiry Date
1 . . .	Lovol.com	Beijing Intelligent Agriculture Technology Center of the Company	May 26, 1999	May 26, 2027

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SENIOR MANAGEMENT AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests of Directors and Chief Executive of the Company

Save as disclosed below, immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), so far as our Directors are aware, none of our Directors or chief executive has any interests or short positions in our Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(a) Interest in our Company

Name of Director or chief executive	Position	Nature of Interest(1)	Number of Domestic [REDACTED] Shares/H Shares held following completion of the [REDACTED]	Approximate percentage of shareholding in Domestic [REDACTED] Shares/H Shares immediately after the [REDACTED](2)	Approximate percentage of shareholding in the total issued Shares immediately after the [REDACTED](2)
Mr. Wang Guimin . . .	Executive Director and chairman of the Board	Beneficial owner	**[REDACTED]** Domestic **[REDACTED]** Shares	**[REDACTED]**%	**[REDACTED]**%
			[REDACTED] H Shares	**[REDACTED]**%	**[REDACTED]**%
Mr. Wang Junwei . . .	Executive Director, chief financial officer and secretary of the Board	Beneficial owner	**[REDACTED]** Domestic **[REDACTED]** Shares	**[REDACTED]**%	**[REDACTED]**%
			[REDACTED] H Shares	**[REDACTED]**%	**[REDACTED]**%
Mr. Liu Pengfei	Executive Director		**[REDACTED]** Domestic **[REDACTED]** Shares	**[REDACTED]**%	**[REDACTED]**%
			[REDACTED] H Shares	**[REDACTED]**%	**[REDACTED]**%

Notes:

(1) All interests stated are long position.

(2) The calculation is based on the total number of [**REDACTED**] Domestic [**REDACTED**] Shares in issue, [**REDACTED**] H Shares to be converted from Domestic [**REDACTED**] Shares in issue and [**REDACTED**] H Shares to be issued pursuant to the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised).

2. Disclosure of Interests of Substantial Shareholders

(a) Interests in our Company

For information on the persons who will, immediately following the completion of the [**REDACTED**], having or be deemed or taken to have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company, see the section headed "Substantial Shareholders".

(b) Interests of the Substantial Shareholders of Other Members of Our Group

So far as the Directors are aware, the persons (other than our Directors, the chief executive of our Company, and any member of our Group) will, immediately following the completion of the [**REDACTED**], be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of the members of our Group (other than our Company):

Our subsidiaries	Name of substantial shareholder	Approximate percentage of interest (%)
Shandong Baoding Agricultural Machinery Testing Co., Ltd. (山東寶鼎農業機械檢測有限公司)	Lovol Heavy Industries Group Co., Ltd. (雷沃重工集團有限公司)	28.57%
Shandong Hechuang Agricultural Equipment Intelligent Technology Co., Ltd. (山東合創農裝智能科技有限公司)	Shandong Wuzheng Group Co., Ltd. (山東五徵集團有限公司)	15%
Yitian Intelligent Agricultural Service (Zouping) Co., Ltd. (易田智慧農業服務(鄒平)有限公司). . . .	Shandong Dongwo Agricultural Services Co., Ltd. (山東東沃農業服務有限公司)	49%
Yitian Intelligent Agricultural Service (Gaomi) Co., Ltd. (易田智慧農業服務(高密)有限公司)	Gaomi Fugao Agricultural Service Co., Ltd.(高密市孚高農業服務有限公司)	45%

3. Service Contracts

We [have entered] into a contract with each of our Directors in respect of, among other things, compliance with the relevant laws and regulations, the Articles of Association and applicable provisions on arbitration.

Save as disclosed above, we have not entered, and do not propose to enter, into any service contracts with any of our Directors in their respective capacities as Directors (other than contracts expiring or determinable by the employer within one year without any payment of compensation (other than statutory compensation)).

4. Director's Remuneration

Save as disclosed in the section headed "Directors and Senior Management" and Note 9 to "Appendix I — Accountants' Report" for the years ended December 31, 2022, 2023 and 2024, none of our Directors received other remunerations of benefits in kind from us.

5. Disclaimers

Saved as disclosed in this Document:

(a) none of our Directors or any of the parties listed in "— D. Other Information — 4. Qualification of Experts" below is:

(i) interested in our promotion, or in any assets which, within the two years immediately preceding the date of this document, have been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Company;

(ii) materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to our business;

(b) save in connection with the [**REDACTED**] and the [**REDACTED**], none of the parties listed in "— D. Other Information — 4. Qualification of Experts" below:

(i) is interested legally or beneficially in any shares in any member of our Group; or

(ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group;

(c) none of our Directors or their close associates or any shareholders of our Company who to the knowledge of our Directors owns more than 5% of our issued share capital has any interest in our top five customers or suppliers; and

(d) one of our Directors is a director or employee of a company that has an interest in the share capital of our Company which, once the H Shares are [**REDACTED**] on the Stock Exchange, would have to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO.

D. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Group.

2. Litigation

So far as our Directors are aware, no litigation or claim of material importance is pending or threatened against any member of our Group.

3. Sole Sponsor

The Sole Sponsor has made an [**REDACTED**] on our behalf to the [**REDACTED**] for the [**REDACTED**] of, and permission to [**REDACTED**] the H Shares of our Company.

China International Capital Corporation Hong Kong Securities Limited satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

China International Capital Corporation Limited ("**CICC**"), the parent company of China International Capital Corporation Hong Kong Securities Limited (the Sole Sponsor) ("**CICCHKS**"), acted as the independent financial adviser to Weichai Power in connection with the [**REDACTED**] and [**REDACTED**] of the Company's H Shares pursuant to the Spin-off Rules for Listed Companies (For Trial Implementation) (《上市公司分拆規則(試行)》) and the Trial Measures for the Administration on Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) promulgated by the CSRC. Notwithstanding the above, considering that (i) the work of the independent financial adviser is a restricted one purely to satisfy the regulatory requirements imposed by the CSRC and the role of financial adviser of CICC is not in conflict with CICCHKS' role as a sponsor for the [**REDACTED**] (such work is also in line with that undertaken by other independent financial advisers in similar [**REDACTED**] cases); and (ii) the fee from the service of independent financial adviser is immaterial, such relationship between CICC and Weichai Power would not be reasonably considered to affect CICCHKS' independence as sponsor to the Company in performing its duties, and should not reasonably give rise to a perception that CICCHKS' independence would be so affected under Rule 3A.07(9) of the Listing Rules, and there are no other circumstances affecting CICCHKS' independence under Rule 3A.07 of the Listing Rules.

Pursuant to the engagement letter entered into between the Company and the Sole Sponsor, we have agreed to pay the Sole Sponsor a fee of RMB6,770,943 to act as the sponsor of our Company in connection with the proposed [**REDACTED**] on the Hong Kong Stock Exchange.

4. Qualifications and Consents of Experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this document with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities
Ernst & Young.	Certified Public Accountants; Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Commerce & Finance	PRC legal adviser
Frost & Sullivan (Beijing) Inc. .	Independent industry consultant
Shandong Yuandu Yinghe Law Firm.	PRC litigation counsel in respect of the VAT Credit Compensation Litigation

As of the Latest Practicable Date, none of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

5. Binding Effect

This document shall have the effect, if an [**REDACTED**] is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

6. Bilingual Document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

7. Promoters

The promoters of the Company are:

No.	Name
1.	Matmark Industrial Group Co., Ltd. (馬特馬克工業集團有限公司)
2.	Weifang Investment Group Co., Ltd. (濰坊市投資集團有限公司)
3.	Qingte Group Co., Ltd. (青特集團有限公司)
4.	Weichai Power
5.	CITIC Electromechanical Cheqiao Co., Ltd. (中信機電車橋有限責任公司)

Within the two years immediately preceding the date of this document, no cash, securities or benefit has been paid, allotted or given, or is proposed to be paid, allotted or given to the promoters named above in connection with the [**REDACTED**] or the related transactions described in this document.

8. Compliance Adviser

Our Company has appointed Rainbow Capital (HK) Limited as its compliance adviser in compliance with Rule 3A.19 of the Listing Rules.

9. Preliminary Expenses

The Company did not incur material preliminary expenses for the purpose of the Listing Rules.

10. No Material Adverse Change

The Directors confirm that there has been no material change in our financial or trading position since December 31, 2024.

11. Miscellaneous

(a) Save as disclosed in "Changes in Share Capital" above, within the two years immediately preceding the date of this document:

(i) no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid other than in cash or otherwise;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.

(b) There are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries.

(c) There are no share or loan capital or debenture of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(d) Save as disclosed in this document, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries by our Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company or any of our subsidiaries.

(e) Save as disclosed in the paragraph headed "B. Further Information about our Business — 1. Summary of Material Contracts" in this section, none of our Directors or proposed Directors or experts (as named in this document), have any interest, direct or indirect, in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group. Save as disclosed in this document, no equity or debt securities of any company within our Group is presently [**REDACTED**] on any stock exchange or traded on any trading system nor is any [**REDACTED**] or permission to [**REDACTED**] being or proposed to be sought.

(f) Our Company has no outstanding convertible debt securities or debentures.

(g) There is no arrangement under which future dividends are waived or agreed to be waived.

(h) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

(a) the written consents referred to in "Appendix VI — Statutory and General Information — D. Other Information — 4. Qualifications of Experts"; and

(b) a copy of each of the material contracts referred to in "Appendix VI — Statutory and General Information — B. Further Information about our Business — Summary of Material Contracts".

DOCUMENTS AVAILABLE ON DISPLAY

Electronic copies of the following documents will be available on display on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.lovol.com** during a period of 14 days from the date of this Document:

1. the Articles of Association;

2. the Accountants' Report prepared by Ernst & Young, the text of which is set forth in Appendix I to this document;

3. the audited consolidated financial statements of our Company for the financial years ended December 31, 2022, 2023 and 2024;

4. the report from Ernst & Young on the unaudited [**REDACTED**] financial information of our Group, the text of which is set forth in Appendix II to this Document;

5. the material contracts in "Appendix VI — Statutory and General Information — B. Further Information about our Business — Summary of Material Contracts";

6. the written consents referred to in "Appendix VI — Statutory and General Information — D. Other Information — Qualifications of Experts";

7. the service contracts referred to in "Appendix VI — Statutory and General Information — C. Further Information about our Directors and Senior Management — Service Contracts";

8. the legal opinions issued by Commerce & Finance, our PRC Legal Advisers, in respect of, among other things, the general corporate matters and the property interests of our Group under PRC law;

9. the industry report issued by Frost & Sullivan, the summary of which is set forth in the section headed "Industry Overview" in this document; and

10. the legal opinion issued by Shandong Yuandu Yinghe Law Firm, our PRC litigation counsel in respect of the VAT Credit Compensation Litigation; and

11. a copy of the following PRC laws, together with their unofficial English translations:

    - the PRC Company law;
    - the Securities Law; and
    - the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies.