

APPENDIX I

ACCOUNTANT’S REPORT

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 and the six months ended 30 June 2025 (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 30 June 2025, 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.

APPENDIX I

ACCOUNTANT'S REPORT

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 30 June 2025 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2024 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

APPENDIX I

ACCOUNTANT'S REPORT

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

APPENDIX I**ACCOUNTANT'S REPORT**

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.

APPENDIX I

ACCOUNTANT'S REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Notes	Year ended 31 December			Six months ended 30 June	
		2022	2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>(Unaudited)</i>						
CONTINUING OPERATIONS						
REVENUE	5	15,950,044	14,676,348	17,393,038	9,801,165	9,863,365
Cost of sales		(14,037,870)	(12,737,176)	(15,090,784)	(8,552,087)	(8,500,989)
Gross profit		<u>1,912,174</u>	<u>1,939,172</u>	<u>2,302,254</u>	<u>1,249,078</u>	<u>1,362,376</u>
Other income and gains	5	267,501	310,270	349,261	169,011	177,901
Selling and marketing expenses		(301,245)	(327,706)	(417,792)	(185,020)	(219,079)
Administrative expenses		(399,128)	(330,737)	(353,621)	(185,051)	(172,431)
Research and development costs		(570,566)	(676,878)	(838,557)	(371,893)	(419,909)
Reversal of/(Provision for) impairment of financial assets		9,532	31,827	17,441	(12,625)	(34,126)
Other expenses	6	(19,796)	(2,196)	(21,045)	(1,206)	(943)
Finance costs	8	(3,104)	(1,908)	(1,806)	(870)	(1,068)
Share of (losses)/profits of associates		(20,472)	(8,769)	179	224	(19,070)
PROFIT BEFORE TAX FROM						
CONTINUING OPERATIONS	7	874,896	933,075	1,036,314	661,648	673,651
Income tax expense	11	(63,480)	(61,803)	(79,452)	(64,828)	(64,179)
PROFIT FOR THE YEAR/PERIOD						
FROM CONTINUING						
OPERATIONS		<u>811,416</u>	<u>871,272</u>	<u>956,862</u>	<u>596,820</u>	<u>609,472</u>
DISCONTINUED OPERATION						
Loss for the year from discontinued operation	12	(39,355)	–	–	–	–
PROFIT FOR THE YEAR/PERIOD		<u>772,061</u>	<u>871,272</u>	<u>956,862</u>	<u>596,820</u>	<u>609,472</u>
Profit for the year/period attributable to:						
Owners of the parent		767,932	871,165	956,409	596,701	609,527
Non-controlling interests		4,129	107	453	119	(55)
		<u>772,061</u>	<u>871,272</u>	<u>956,862</u>	<u>596,820</u>	<u>609,472</u>
EARNINGS PER SHARE						
ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	14					
Basic and diluted (RMB)						
For profit for the year/period		<u>0.65</u>	<u>0.76</u>	<u>0.83</u>	<u>0.52</u>	<u>0.53</u>
For profit from continuing operations		<u>0.68</u>	<u>0.76</u>	<u>0.83</u>	<u>0.52</u>	<u>0.53</u>

APPENDIX I

ACCOUNTANT'S REPORT

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
PROFIT FOR THE YEAR/PERIOD	772,061	871,272	956,862	596,820	609,472
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	–	79
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD, NET OF TAX . .	485	(551)	407	–	79
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	<u>772,546</u>	<u>870,721</u>	<u>957,269</u>	<u>596,820</u>	<u>609,551</u>
Attributable to:					
Owners of the parent	768,417	870,614	956,816	596,701	609,606
Non-controlling interests	4,129	107	453	119	(55)
	<u>772,546</u>	<u>870,721</u>	<u>957,269</u>	<u>596,820</u>	<u>609,551</u>

APPENDIX I

ACCOUNTANT'S REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December			As at
		2022	2023	2024	30 June
		RMB'000	RMB'000	RMB'000	2025
				RMB'000	
NON-CURRENT ASSETS					
Property, plant and equipment	15	1,169,449	1,378,843	1,982,988	2,494,515
Investment properties	16	5,199	2,188	2,081	2,014
Right-of-use assets	17(a)	272,320	370,811	454,729	475,595
Intangible assets	18	566,675	548,440	545,982	552,704
Investments in associates	19	297,667	307,515	307,695	288,625
Equity investments designated at fair value through other comprehensive income	20	3,765	3,117	3,595	3,688
Deferred tax assets	30	419,221	390,552	344,843	337,478
Long-term time deposits	25	–	–	342,672	948,655
Prepayments and other assets . .	23	14,780	91,939	–	8,381
Total non-current assets		2,749,076	3,093,405	3,984,585	5,111,655
CURRENT ASSETS					
Inventories and other contract costs	21	2,250,557	3,642,158	2,831,956	2,007,983
Trade and bills receivables . . .	22	629,783	435,353	544,861	2,826,323
Prepayments, other receivables and other assets	23	176,639	534,795	1,003,899	1,055,662
Financial assets at fair value through profit or loss ("FVTPL")	24	–	940,250	1,092,068	2,208,691
Current portion of long-term time deposits	25	–	–	85,297	86,352
Restricted deposits	25	820,295	973,586	1,688,104	1,030,082
Cash and bank balances	25	5,889,399	5,451,296	7,951,595	4,218,594
Total current assets		9,766,673	11,977,438	15,197,780	13,433,687
CURRENT LIABILITIES					
Trade and bills payables	26	6,968,064	8,124,608	12,368,715	11,245,091
Other payables and accruals . .	27	1,299,966	1,122,733	1,201,390	1,762,086
Contract liabilities	28	1,515,341	2,022,496	970,808	447,813
Interest-bearing bank borrowings	29	–	–	22,523	74,881
Lease liabilities	17(b)	7,427	28,007	38,995	27,101
Provisions	31	377,433	400,692	383,600	441,575
Tax payable		8,328	21,056	18,968	16,476
Total current liabilities		10,176,559	11,719,592	15,004,999	14,015,023
NET CURRENT ASSETS/(LIABILITIES) . . .		(409,886)	257,846	192,781	(581,336)
TOTAL ASSETS LESS CURRENT LIABILITIES . .		2,339,190	3,351,251	4,177,366	4,530,319

APPENDIX I

ACCOUNTANT'S REPORT

	<i>Notes</i>	As at 31 December			As at
		2022	2023	2024	30 June
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT					
LIABILITIES					
Deferred income	32	235,901	363,575	345,255	331,669
Lease liabilities	17(b)	4,829	21,362	21,730	11,836
Deferred tax liabilities	30	246	49	–	–
Other payables and accruals . .	27	20,781	17,797	18,995	14,988
Total non-current liabilities . .		<u>261,757</u>	<u>402,783</u>	<u>385,980</u>	<u>358,493</u>
Net assets		<u>2,077,433</u>	<u>2,948,468</u>	<u>3,791,386</u>	<u>4,171,826</u>
EQUITY					
Equity attributable to owners					
of the parent					
Share capital	34	1,145,763	1,145,763	1,145,763	1,145,763
Reserves	35	924,732	1,795,350	2,637,815	3,018,310
		<u>2,070,495</u>	<u>2,941,113</u>	<u>3,783,578</u>	<u>4,164,073</u>
Non-controlling interests		6,938	7,355	7,808	7,753
Total equity		<u>2,077,433</u>	<u>2,948,468</u>	<u>3,791,386</u>	<u>4,171,826</u>

APPENDIX I

ACCOUNTANT’S REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent									
	Share 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	RMB'000	RMB'000	RMB'000	RMB'000	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
Transactions 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)
Dividend 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

APPENDIX I

ACCOUNTANT’S REPORT

Attributable to owners of the parent										
	Share 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	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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
Transactions 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

APPENDIX I

ACCOUNTANT’S REPORT

Attributable to owners of the parent										
	Share 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	RMB'000	RMB'000	RMB'000	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
Dividend 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

APPENDIX I

ACCOUNTANT’S REPORT

Attributable to owners of the parent										
	Share 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	RMB'000	RMB'000	RMB'000	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 period	-	-	-	-	-	596,701	-	596,701	119	596,820
Other comprehensive income for the period:										
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	596,701	-	596,701	119	596,820
As at 30 June 2024	1,145,763	406,533	-	398,969	(36)	1,515,912	70,673	3,537,814	7,474	3,545,288

APPENDIX I

ACCOUNTANT’S REPORT

	Attributable to owners of the parent									
	Share 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	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2025	1,145,763	406,758	-	490,314	371	1,685,916	54,456	3,783,578	7,808	3,791,386
Profit for the period	-	-	-	-	-	609,527	-	609,527	(55)	609,472
Other comprehensive income for the period:										
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	79	-	-	79	-	79
Total comprehensive income for the period	-	-	-	-	79	609,527	-	609,606	(55)	609,551
Dividend distribution	-	-	-	-	-	(229,153)	-	(229,153)	-	(229,153)
Allocation and utilisation of special reserves	-	-	-	-	-	4,159	(4,159)	-	-	-
Transactions between shareholders	-	42	-	-	-	-	-	42	-	42
As at 30 June 2025	1,145,763	406,800	-	490,314	450	2,070,449	50,297	4,164,073	7,753	4,171,826

* The reserve accounts comprise the consolidated reserves of RMB924,732,000, RMB1,795,350,000, RMB2,637,815,000 and RMB3,018,310,000 in the consolidated statements of financial position as at 31 December 2022, 2023 and 2024 and 30 June 2025, respectively.

APPENDIX I

ACCOUNTANT'S REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Notes</i>	Year ended 31 December			Six months ended 30 June	
		2022	2023	2024	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
						<i>(Unaudited)</i>
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(loss) before tax:						
From continuing operations		874,896	933,075	1,036,314	661,648	673,651
From a discontinued operation . . .		(27,752)	–	–	–	–
Adjustments for:						
Depreciation of property, plant and equipment	15	133,111	133,543	158,738	72,895	83,849
Depreciation of right-of-use assets. . .	17(a)	17,319	33,280	48,558	23,712	26,512
Amortisation of intangible assets. . .	18	11,127	18,270	5,541	2,867	4,788
Depreciation of investment properties	16	201	248	133	67	67
Gain on disposal of property, plant and equipment		(667)	(4,065)	(1,023)	(572)	71
Gain on disposal of investment properties		–	(12,497)	–	–	–
Reversal of/(Provision for) impairment of trade and bills receivables		(11,257)	(32,913)	(17,140)	12,393	34,132
Impairment of property, plant and equipment		–	397	1,204	816	–
Impairment/(reversal of impairment) of prepayments, other receivables and other assets		2,016	1,086	(301)	232	(7)
(Reversal of impairment)/impairment of inventories and other contract costs		(15,857)	35,171	24,588	18,285	6,284
Share of losses/(profits) of associates		20,472	8,769	(179)	(224)	19,070
Changes in fair value of financial assets at FVTPL		–	(250)	(1,818)	(3,198)	(6,622)
Finance costs	8	3,104	1,908	1,806	870	1,068
Interest income		(161,745)	(133,968)	(129,450)	(62,209)	(71,196)
Loss on disposal of a subsidiary . . .		12,102	–	–	–	–
Gain on disposal of associates		(19,229)	–	–	–	–
Gain on deemed disposal		–	(18,618)	–	–	–

APPENDIX I

ACCOUNTANT'S REPORT

Notes	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Interest income from financial assets at FVTPL	(20,832)	(8,082)	(26,334)	(10,565)	(13,768)
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)	–	–	–	–
Decrease/(increase) in inventories and other contract costs	1,489,771	(1,426,772)	785,613	565,422	817,689
Increase/(decrease) in contract liabilities	(560,971)	507,155	(1,051,689)	(917,046)	(522,995)
Decrease/(increase) in trade and bills receivables	(94,296)	114,501	(92,368)	(886,534)	(2,335,974)
Decrease/(increase) in prepayments, other receivables and other assets	3,747,268	(371,434)	(387,573)	(134,826)	(51,756)
Increase/(decrease) in deferred revenue	37,051	127,674	(18,320)	(7,486)	(13,586)
Increase/(decrease) in trade and bills payables	(2,912,227)	1,149,906	4,067,055	3,596,241	(980,489)
Increase/(decrease) in other payables and accruals	93,045	(176,787)	78,658	(14,187)	(101,751)
Increase/(decrease) in provision	123,800	23,260	(17,092)	413	57,975
(Placement)/withdrawal of restricted deposits	251,368	(161,955)	(715,217)	(1,030,973)	658,002
Increase/(decrease) in long-term other payables and accruals	(6,736)	(2,984)	1,199	4,044	(4,007)
Cash generated from/(used in) operations	2,972,261	737,918	3,750,903	1,892,085	(1,718,993)
Interest received	153,218	133,965	98,573	57,375	57,360
Income tax paid	(27,738)	(19,454)	(36,366)	(27,706)	(61,429)
Net cash flows from/(used in) operating activities	3,097,741	852,429	3,813,110	1,921,754	(1,723,062)

APPENDIX I

ACCOUNTANT'S REPORT

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment and leasehold land and intangible assets	(178,565)	(391,265)	(697,016)	(284,105)	(381,362)
Proceeds from disposal of items of property, plant and equipment . . .	5,490	26,376	8,812	8,258	930
Interest received from financial assets classified as at FVTPL	20,832	8,082	29,094	10,565	13,768
Interest received from time deposits .	–	–	3,782	–	48,343
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)	–	(1,110,000)
Redemption of financial assets classified at fair value through profit or loss	–	–	–	90,000	–
Placement of time deposits	–	–	(3,568,600)	(2,433,340)	(1,355,670)
Withdrawal of time deposits	–	–	–	–	3,138,204
Capital contributions to associates . .	(318,138)	–	–	–	–
Net cash flows from/(used in) investing activities	<u>589,832</u>	<u>(1,284,612)</u>	<u>(4,373,928)</u>	<u>(2,608,622)</u>	<u>354,213</u>

APPENDIX I

ACCOUNTANT'S REPORT

	Notes	Year ended 31 December			Six months ended 30 June	
		2022	2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES						
New bank loans		–	–	22,523	–	52,308
Repayments of bank loans		(195,636)	–	–	–	–
Interest paid		(3,104)	–	–	–	(651)
Lease payments		(2,376)	(20,034)	(30,749)	(14,152)	(18,463)
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	–	–	–
Capital contribution from non-controlling interests		490	113	–	–	–
Proceeds from transactions between shareholders		–	–	225	–	42
Business combination under common control	36	(71,989)	(448)	–	–	–
Withdrawal of restricted deposits		71,478	8,664	699	595	19
Proceeds from issue of shares		137,500	–	–	–	–
Payment of [REDACTED]		–	–	–	–	(1,932)
Net cash flows (used in)/from financing activities		<u>(1,300,025)</u>	<u>(11,504)</u>	<u>(121,878)</u>	<u>(13,557)</u>	<u>31,323</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS						
Cash and cash equivalents at beginning of year/period		3,492,247	5,889,399	5,451,296	5,451,296	4,780,087
Effect of foreign exchange differences, net		<u>9,604</u>	<u>5,584</u>	<u>11,487</u>	<u>7,361</u>	<u>11,137</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		<u>5,889,399</u>	<u>5,451,296</u>	<u>4,780,087</u>	<u>4,758,232</u>	<u>3,453,698</u>

APPENDIX I

ACCOUNTANT'S REPORT

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
ANALYSIS OF BALANCES OF					
CASH AND CASH					
EQUIVALENTS					
Cash and bank balances	5,889,399	5,451,296	7,951,595	7,096,406	4,218,594
Current portion of long-term time					
deposits	–	–	85,297	–	86,352
Long-term time deposits	–	–	342,672	100,000	948,655
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	7,196,406	5,253,601
Less: Non-pledged time deposits					
with original maturity of more					
than three months when acquired .	–	–	3,599,477	2,438,174	1,799,903
Cash and cash equivalents as stated					
in the consolidated statements of					
financial position	<u>5,889,399</u>	<u>5,451,296</u>	<u>4,780,087</u>	<u>4,758,232</u>	<u>3,453,698</u>

APPENDIX I

ACCOUNTANT’S REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	As at 31 December			As at
		2022	2023	2024	30 June
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS					
Investments in subsidiaries	<i>1</i>	143,393	303,393	701,393	701,393
Property, plant and equipment	<i>15</i>	992,815	1,022,247	1,292,921	1,500,357
Investment properties	<i>16</i>	5,199	2,188	2,081	2,014
Right-of-use assets	<i>17(a)</i>	234,103	258,383	346,718	322,444
Intangible assets	<i>18</i>	561,482	546,715	545,272	552,205
Investments in associates	<i>19</i>	297,667	307,515	307,695	288,625
Equity investments designated at fair value through other comprehensive income	<i>20</i>	3,765	3,117	3,595	3,688
Deferred tax assets	<i>30</i>	398,028	342,704	304,522	295,765
Long-term time deposits	<i>25</i>	–	–	342,672	948,655
Prepayments and other assets	<i>23</i>	2,199	91,938	–	8,381
Total non-current assets		<u>2,638,651</u>	<u>2,878,200</u>	<u>3,846,869</u>	<u>4,623,527</u>
CURRENT ASSETS					
Inventories and other contract costs	<i>21</i>	2,133,991	3,574,883	2,764,262	1,924,451
Trade and bills receivables	<i>22</i>	408,897	182,012	156,460	2,379,341
Prepayments, other receivables and other assets	<i>23</i>	154,675	499,698	940,866	1,001,739
Amounts due from subsidiaries	<i>22</i>	44,349	93,765	158,313	351,820
Financial assets at fair value through profit or loss	<i>24</i>	–	940,250	1,092,068	2,208,691
Current portion of long-term time deposits	<i>25</i>	–	–	85,297	86,352
Restricted deposits	<i>25</i>	770,991	892,813	1,502,903	972,538
Cash and bank balances	<i>25</i>	<u>5,578,987</u>	<u>5,047,974</u>	<u>7,689,053</u>	<u>3,833,469</u>
Total current assets		<u>9,091,890</u>	<u>11,231,395</u>	<u>14,389,222</u>	<u>12,758,401</u>

APPENDIX I

ACCOUNTANT'S REPORT

	<i>Notes</i>	As at 31 December			As at
		2022	2023	2024	30 June
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2025
				<i>RMB'000</i>	
CURRENT LIABILITIES					
Trade and bills payables	26	6,411,239	7,471,666	11,578,804	10,530,035
Other payables and accruals . .	27	1,211,746	1,026,845	1,118,839	1,440,301
Amounts due to subsidiaries . .	26, 27	209,069	275,285	441,279	439,723
Contract liabilities	28	1,438,231	1,918,123	860,032	342,773
Lease liabilities	17(b)	7,413	26,562	37,596	25,803
Provisions	31	316,240	326,289	342,314	410,459
Tax payable		–	3	17,317	12,015
Total current liabilities		<u>9,593,938</u>	<u>11,044,773</u>	<u>14,396,181</u>	<u>13,201,109</u>
NET CURRENT					
(LIABILITIES)/ASSETS		<u>(502,048)</u>	<u>186,622</u>	<u>(6,959)</u>	<u>(442,708)</u>
TOTAL ASSETS LESS					
CURRENT LIABILITIES		<u>2,136,603</u>	<u>3,064,822</u>	<u>3,839,910</u>	<u>4,180,819</u>
NON-CURRENT					
LIABILITIES					
Deferred income	32	215,751	284,947	268,556	252,604
Lease liabilities	17(b)	4,741	15,838	17,464	7,565
Other payables and accruals . .	27	<u>18,271</u>	<u>16,310</u>	<u>17,835</u>	<u>14,184</u>
Total non-current liabilities . .		<u>238,763</u>	<u>317,095</u>	<u>303,855</u>	<u>274,353</u>
Net assets		<u>1,897,840</u>	<u>2,747,727</u>	<u>3,536,055</u>	<u>3,906,466</u>
EQUITY					
Share capital	34	1,145,763	1,145,763	1,145,763	1,145,763
Reserves	35	<u>752,077</u>	<u>1,601,964</u>	<u>2,390,292</u>	<u>2,760,703</u>
Total equity		<u>1,897,840</u>	<u>2,747,727</u>	<u>3,536,055</u>	<u>3,906,466</u>

APPENDIX I

ACCOUNTANT’S REPORT

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 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)	PRC/Mainland China 1 November 2005	RMB100,000,000	100.00%	–	Sale of agricultural equipment
Shandong Weichai Lovol Transmission Co., Ltd. (a)	PRC/Mainland China 28 June 2012	RMB76,000,000	100.00%	–	Manufacture and sale of transmission systems
Shandong Etian Network Technology Co., Ltd. (a)	PRC/Mainland China 4 March 2016	RMB150,000,000	100.00%	–	Development of agricultural network technology
Weichai Lovol (Weifang) Agricultural Equipment Co., Ltd. (a)	PRC/Mainland China 6 March 2023	RMB500,000,000	100.00%	–	Manufacture and sale of agricultural equipment
Shandong Baoding Agricultural Machinery Testing Co., Ltd. (a)	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)	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. (c)	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.

APPENDIX I

ACCOUNTANT'S REPORT

Notes:

- (a) The statutory financial statements of these entities for the years ended 31 December 2022, 2023 and 2024 prepared under PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Ernst & Young Hua Ming.
- (b) No statutory audited financial statements for the years ended 31 December 2022, 2023 of the entity has been prepared since its incorporation.
- (c) No statutory audited financial statements for the years ended 31 December 2022 of the entity has been prepared since its incorporation.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

As of 30 June 2025, the Group has net current liabilities of RMB581,336,000. Taking into account of the operating cashflow and available bank facilities, the directors of the Company have, at the time of approving the Historical Financial Information, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the Historical Financial Information.

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 2025, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

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 Historical Financial Information includes 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.

APPENDIX I

ACCOUNTANT'S REPORT

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	<i>Presentation and Disclosure in Financial Statements</i> ²
IFRS 19	<i>Subsidiaries without Public Accountability: Disclosures</i> ²
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> ¹
Amendments to IFRS 9 and IFRS 7	<i>Contracts Referencing Nature-dependent Electricity</i> ¹
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
<i>Annual Improvements to IFRS Accounting Standards — Volume II</i>	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 ¹

1 Effective for annual periods beginning on or after 1 January 2026

2 Effective for annual/reporting periods beginning on or after 1 January 2027

3 No mandatory effective date yet determined but available for adoption

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 statements 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 statements 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.

APPENDIX I

ACCOUNTANT'S REPORT

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 a 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.

APPENDIX I

ACCOUNTANT'S REPORT

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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);

APPENDIX I

ACCOUNTANT'S REPORT

- (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.

APPENDIX I

ACCOUNTANT'S REPORT

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. Others include know-how, etc., others are stated at cost less any impairment losses and it amortised on the straight-line basis over its estimated useful life of 10 years, which is the estimated useful life of the product lifecycle.

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

APPENDIX I

ACCOUNTANT'S REPORT

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.

APPENDIX I

ACCOUNTANT'S REPORT

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.

APPENDIX I

ACCOUNTANT'S REPORT

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.

APPENDIX I

ACCOUNTANT'S REPORT

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.

APPENDIX I

ACCOUNTANT'S REPORT

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.

APPENDIX I

ACCOUNTANT'S REPORT

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.

APPENDIX I

ACCOUNTANT'S REPORT

Domestic sales business

The Group's agricultural equipment domestic sales business revenue is recognised when control of the goods is transferred to the dealers.

Export business

The Group recognises revenue under the following terms: Free On Board ("FOB"), Cost and Freight ("CFR"), and Cost, Insurance and Freight ("CIF"); 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.

APPENDIX I

ACCOUNTANT'S REPORT

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

APPENDIX I

ACCOUNTANT'S REPORT

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, RMB5,884,000 and RMB3,317,000 at 31 December 2022, 2023 and 2024 and 30 June 2025, 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.

APPENDIX I

ACCOUNTANT'S REPORT

If the Group had been able to recognise all unrecognised deferred tax assets, the equity would have increased by RMB199,000, RMB456,000, RMB364,000 and RMB556,000 at 31 December 2022, 2023 and 2024 and 30 June 2025, 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.

APPENDIX I

ACCOUNTANT’S REPORT

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.

Change in Accounting Estimate

In previous years, the Group was unable to accurately estimate the supplier reimbursement amount to offset against the Group’s additional provision for warranties due to insufficient information available at the time of warranty provision assessment. Therefore, as a prudent measure, the Group did not estimate or recognise 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 it 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 has evaluated the supplier reimbursement amount, and offset the corresponding amount against the additional provision for warranties. The Directors of the Group are of the view that the estimation methodology and data sources adopted are reasonable and reliable. The impact of this accounting estimate change has reduced costs of sales by RMB188,846,000, and thereby increased the Group’s net profit by RMB160,519,000 in 2024.

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 was 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			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				<i>(Unaudited)</i>	
Mainland China	15,001,050	13,419,145	15,668,005	8,833,235	8,716,412
Overseas.	948,994	1,257,203	1,725,033	967,930	1,146,953
Total revenue.	<u>15,950,044</u>	<u>14,676,348</u>	<u>17,393,038</u>	<u>9,801,165</u>	<u>9,863,365</u>

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.

APPENDIX I

ACCOUNTANT'S REPORT

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Revenue from contracts with customers					
Agricultural machinery sales	15,738,128	14,502,922	17,183,315	9,709,142	9,779,282
Others	211,916	173,426	209,723	92,023	84,083
Total	<u>15,950,044</u>	<u>14,676,348</u>	<u>17,393,038</u>	<u>9,801,165</u>	<u>9,863,365</u>

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Types of goods or services					
Agricultural machinery sales	15,738,128	14,502,922	17,183,315	9,709,142	9,779,282
Others	211,916	173,426	209,723	92,023	84,083
	<u>15,950,044</u>	<u>14,676,348</u>	<u>17,393,038</u>	<u>9,801,165</u>	<u>9,863,365</u>
Geographical market					
Mainland China	15,001,050	13,419,145	15,668,005	8,833,235	8,716,412
Overseas	948,994	1,257,203	1,725,033	967,930	1,146,953
	<u>15,950,044</u>	<u>14,676,348</u>	<u>17,393,038</u>	<u>9,801,165</u>	<u>9,863,365</u>
Timing of revenue recognition					
Revenue recognised over time	55,555	11,799	13,058	4,081	5,329
Revenue recognised at a point in time	<u>15,894,489</u>	<u>14,664,549</u>	<u>17,379,980</u>	<u>9,797,084</u>	<u>9,858,036</u>
	<u>15,950,044</u>	<u>14,676,348</u>	<u>17,393,038</u>	<u>9,801,165</u>	<u>9,863,365</u>

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			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in contract liabilities at beginning of the year/period:					
Sale of products	<u>2,069,216</u>	<u>1,515,341</u>	<u>1,921,899</u>	<u>1,752,046</u>	<u>807,329</u>

APPENDIX I

ACCOUNTANT'S REPORT

(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.

The above performance obligations are part of a contract that has an original expected duration of one year or less.

Other Income and Gains

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)
<u>Other income</u>					
Government grants*	48,796	51,405	120,763	31,566	50,364
Additional value added tax deduction**	–	67,378	52,107	50,094	5,032
Interest income	161,745	133,968	129,450	62,209	71,196
Interest income from financial assets at fair value through profit or loss	20,832	8,082	26,334	10,565	13,768
Total other income	231,373	260,833	328,654	154,434	140,360
<u>Gains</u>					
Fair value gain on financial assets designated as at fair value through profit or loss	–	250	1,818	3,198	6,622
Gain on derecognition of financial assets measured at amortised cost	12,344	–	–	–	–
Gain/(Loss) on disposal of items of property, plant and equipment	673	4,065	1,023	572	(71)
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	7,949	11,195
Others***	4,368	4,887	4,064	2,858	19,795
Total gains	36,128	49,437	20,607	14,577	37,541
Total other income and gains	267,501	310,270	349,261	169,011	177,901

APPENDIX I

ACCOUNTANT’S REPORT

* 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.

*** Others mainly include fines, claims, and penalty income, reversal of litigation compensation, etc.

6. OTHER EXPENSES

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Litigation compensation . . .	17,322	237	18,839	–	–
Others	2,474	1,959	2,206	1,206	943
Total	19,796	2,196	21,045	1,206	943

7. PROFIT BEFORE TAX

The Group’s profit before tax from continuing operations is arrived at after charging/(crediting):

	Notes	Year ended 31 December			Six months ended 30 June	
		2022	2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cost of inventories and services sold*		14,033,821	12,756,067	15,071,937	8,547,418	8,495,598
Depreciation of property, plant and equipment** . . .	15	133,111	133,543	158,738	72,895	83,849
Depreciation of right-of-use assets**	17	17,319	33,280	48,558	23,712	26,512
Amortisation of intangible assets**	18	11,127	18,270	5,541	2,867	4,788
Depreciation of investment properties**	16	201	248	133	66	67
Lease payments not included in the measurement of lease liabilities		16,882	22,903	12,971	6,769	10,239
Research and development costs		570,566	676,878	838,557	371,893	419,909
[REDACTED]**		–	–	19,520	14,520	16,047
Fair value gain on financial assets at fair value through profit or loss . . .		–	(250)	(1,818)	(3,198)	(6,622)
Foreign exchange differences, net		(11,616)	(9,120)	(13,702)	(7,949)	(11,195)
Interest income		(161,745)	(133,968)	(129,450)	(62,209)	(71,196)
Additional provision for warranties		266,034	166,871	(3,206)	93,593	161,028
Additional provision for litigation compensation . . .		17,322	237	18,839	–	(18,839)
(Reversal of)/Provision for impairment of financial assets		(9,532)	(31,827)	(17,441)	12,625	34,126

APPENDIX I

ACCOUNTANT’S REPORT

Notes	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
(Gain)/Loss on disposal of items of property, plant and equipment, net	(673)	(4,065)	(1,023)	(572)	71
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	510,807	553,633
Pension scheme contributions	177,921	187,964	239,663	107,901	119,824

* 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.

*** The [REDACTED] for 2024 are related to previous ChiNext Application and for 2025 are related to Application for [REDACTED] on Hong Kong Stock Exchange.

8. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Interest on bank borrowings	2,917	–	–	–	–
Interest on lease liabilities	187	1,908	1,806	870	1,068
Total interest expense on financial liabilities not at fair value through profit or loss	3,104	1,908	1,814	870	1,761
Less: Interest capitalised	–	–	(8)	–	(693)
Total	<u>3,104</u>	<u>1,908</u>	<u>1,806</u>	<u>870</u>	<u>1,068</u>

APPENDIX I

ACCOUNTANT’S REPORT

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 a non-executive director of the Company and the chairman of the board of directors of the Company on August 2022 and resigned in July 2024.
- (vi) Mr. Ma Changhai was appointed as a non-executive director of the Company in April 2022 and resigned in December 2024.
- (vii) Mr. Xu Hong was appointed as a non-executive director of the Company in August 2019 and resigned in April 2022.
- (viii) Mr. Jiang Ningtao and Mr. Wang Haiping were appointed as non-executive directors of the Company in September 2021 and resigned in August 2022.
- (ix) Mr. Zhang Quan was appointed as a non-executive director of the Company in August 2019 and resigned in December 2024.
- (x) Mr. Feng Gang was appointed as a non-executive director of the Company in September 2021 and resigned in December 2024.

Details of the remuneration received or receivable by the directors from the group entities are as follows:

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Fees:					
Directors	180	540	540	270	270
Other emoluments:					
Salaries, allowances and benefits in kind	1,092	1,081	1,106	562	1,304
Performance related bonuses*	1,144	1,186	1,434	694	964
Pension scheme contributions and social welfare	171	230	248	117	216
Total	<u>2,587</u>	<u>3,037</u>	<u>3,328</u>	<u>1,643</u>	<u>2,754</u>

* Certain executive directors of the Company are entitled to bonus payments which are determined by key performance indicators.

APPENDIX I

ACCOUNTANT’S REPORT

(a) Independent non-executive directors

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

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Mrs. Yang Minli	60	180	180	90	90
Mr. Huang Botao	60	180	180	90	90
Mrs. Zhang Haiyan	60	180	180	90	90
Mr. Zhang Yuanfu	–	–	–	–	–
Total	<u>180</u>	<u>540</u>	<u>540</u>	<u>270</u>	<u>270</u>

Mrs. Yang Minli, Mr. Huang Botao and Mrs. Zhang Haiyan were appointed as independent non-executive directors of the Company in August 2022. Mr. Zhang Yuanfu was appointed as an independent non-executive director of the Company in June 2025. Mrs. Zhang Haiyan was resigned in June 2025.

(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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	–	<u>1,092</u>	<u>1,144</u>	<u>171</u>	<u>2,407</u>

APPENDIX I

ACCOUNTANT’S REPORT

Year ended 31 December 2023

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions and social welfare	Total remuneration
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Chief executive and executive director:					
Mr. Wang Guimin	–	<u>663</u>	<u>722</u>	<u>141</u>	<u>1,526</u>
Executive director:					
Mr. Wang Junwei	–	<u>418</u>	<u>464</u>	<u>89</u>	<u>971</u>
Non-executive directors:					
Mr. Ma Changhai	–	–	–	–	–
Mr. Tan Xuguang	–	–	–	–	–
Mr. Zhang Quan	–	–	–	–	–
Mr. Feng Gang	–	–	–	–	–
Total	–	<u>1,081</u>	<u>1,186</u>	<u>230</u>	<u>2,497</u>

Year ended 31 December 2024

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions and social welfare	Total remuneration
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Chief executive and executive director:					
Mr. Wang Guimin	–	<u>586</u>	<u>840</u>	<u>147</u>	<u>1,573</u>
Executive directors:					
Mr. Wang Junwei	–	<u>476</u>	<u>540</u>	<u>93</u>	<u>1,109</u>
Mr. Wang Jian	–	–	–	–	–
Mr. Liu Pengfei	–	<u>44</u>	<u>54</u>	<u>8</u>	<u>106</u>
Non-executive directors:					
Mr. Ma Changhai	–	–	–	–	–
Mr. Tan Xuguang	–	–	–	–	–
Mr. Zhang Quan	–	–	–	–	–
Mr. Feng Gang	–	–	–	–	–
Mr. Sun Chenglong	–	–	–	–	–
Mr. Wang Decheng	–	–	–	–	–
Total	–	<u>1,106</u>	<u>1,434</u>	<u>248</u>	<u>2,788</u>

APPENDIX I

ACCOUNTANT’S REPORT

Six months ended 30 June 2024

	<u>Fees</u>	<u>Salaries, allowances and benefits in kind</u>	<u>Performance related bonuses</u>	<u>Pension scheme contributions and social welfare</u>	<u>Total remuneration</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Chief executive and executive director:					
Mr. Wang Guimin	–	<u>291</u>	<u>422</u>	<u>72</u>	<u>785</u>
Executive directors:					
Mr. Wang Junwei	–	<u>271</u>	<u>272</u>	<u>45</u>	<u>588</u>
Non-executive directors:					
Mr. Ma Changhai	–	–	–	–	–
Mr. Tan Xuguang	–	–	–	–	–
Mr. Zhang Quan	–	–	–	–	–
Mr. Feng Gang	–	–	–	–	–
Total	–	<u><u>562</u></u>	<u><u>694</u></u>	<u><u>117</u></u>	<u><u>1,373</u></u>

Six months ended 30 June 2025

	<u>Fees</u>	<u>Salaries, allowances and benefits in kind</u>	<u>Performance related bonuses</u>	<u>Pension scheme contributions and social welfare</u>	<u>Total remuneration</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Chief executive and executive director:					
Mr. Wang Guimin	–	<u>420</u>	<u>422</u>	<u>75</u>	<u>917</u>
Executive directors:					
Mr. Wang Junwei	–	<u>271</u>	<u>272</u>	<u>47</u>	<u>590</u>
Mr. Wang Jian	–	<u>345</u>	–	<u>47</u>	<u>392</u>
Mr. Liu Pengfei	–	<u>268</u>	<u>270</u>	<u>47</u>	<u>585</u>
Non-executive directors:					
Mr. Sun Chenglong	–	–	–	–	–
Mr. Wang Decheng	–	–	–	–	–
Total	–	<u><u>1,304</u></u>	<u><u>964</u></u>	<u><u>216</u></u>	<u><u>2,484</u></u>

There was no arrangement under which a director waived or agreed to waive any remunerations during the Relevant Periods.

APPENDIX I

ACCOUNTANT'S REPORT

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees in the Group for the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2024 and 2025 included 1, 2, 2, 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, 3, 3 and 3 highest paid employees who were neither a director nor chief executive of the Company during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(Unaudited)</i>				
Salaries, allowances and benefits in kind	1,991	1,212	1,423	798	814
Performance related bonuses	2,301	1,301	1,620	815	816
Pension scheme contributions	337	266	278	135	140
Total	<u>4,629</u>	<u>2,779</u>	<u>3,321</u>	<u>1,748</u>	<u>1,770</u>

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			Six months ended 30 June	
	2022	2023	2024	2024	2025
	<i>(Unaudited)</i>				
HK\$500,001 to HK\$1,000,000	1	3	–	3	3
HK\$1,000,001 to HK\$1,500,000	3	–	3	–	–
Total	<u>4</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

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 were 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 and the six months ended 30 June 2024 and 2025.

Other than the aforementioned tax incentives, domestic subsidiaries not qualifying for preferential treatment are subject to the statutory corporate income tax rate of 25%.

APPENDIX I

ACCOUNTANT’S REPORT

The income tax expense of the Group for the Relevant Periods is analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current income tax	17,606	33,234	33,862	16,874	56,828
Deferred income tax	45,874	28,569	45,590	47,954	7,351
Total tax charge for the year/period from continuing operations . .	63,480	61,803	79,452	64,828	64,179
Total tax charge for the year/period from a discontinued operation . .	11,603	—	—	—	—
Total	<u>75,083</u>	<u>61,803</u>	<u>79,452</u>	<u>64,828</u>	<u>64,179</u>

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 is as follows:

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before tax from continuing operations . .	874,896	933,075	1,036,314	661,648	673,651
Loss before tax from a discontinued operation . .	(27,752)	—	—	—	—
Total	847,144	933,075	1,036,314	661,648	673,651
Tax charge at the preferential tax rate of 15%	127,072	139,961	155,447	99,247	101,048
Impact of different tax rate	6,369	3,694	4,411	4,076	2,884
Expenses not deductible for tax	8,964	1,647	3,351	4,776	863
Income not subject to tax .	—	(2,793)	—	—	—
Additional deductible allowance for qualified research and development costs	(74,678)	(83,730)	(88,945)	(47,164)	(43,698)
Additional deductible allowance for accelerated depreciation of equipment	(1,901)	—	—	—	—
Temporary differences and tax losses utilised from previous periods	(1,992)	(73)	(185)	(255)	(135)
Adjustments in respect of current tax of previous periods	—	2,861	4,148	4,148	1,230
Temporary differences and tax losses not recognised	<u>11,249</u>	<u>236</u>	<u>1,225</u>	<u>—</u>	<u>1,987</u>

APPENDIX I

ACCOUNTANT’S REPORT

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Tax charge at the Group’s effective tax rate	75,083	61,803	79,452	64,828	64,179
Tax charge from continuing operations at the effective rate	<u>63,480</u>	<u>61,803</u>	<u>79,452</u>	<u>64,828</u>	<u>64,179</u>
Tax charge from a discontinued operation at the effective rate	<u>11,603</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

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 was classified as a discontinued operation.

The results of Wuxing Vehicles for the year are presented below:

	Year ended 31 December
	2022
	<i>RMB'000</i>
Revenue	1,214,412
Expenses	(1,242,165)
Loss from the discontinued operation	(27,752)
Income tax	<u>(11,603)</u>
Loss for the year from the discontinued operation	<u>(39,355)</u>

The net cash flows incurred by Wuxing Vehicles are as follows:

	2022
	<i>RMB'000</i>
Operating activities	3,035
Investing activities	(741)
Financing activities	–
Net cash inflow	<u>2,294</u>
Loss per share:	
Basic and diluted, from the discontinued operation (RMB)	(0.03)

APPENDIX I

ACCOUNTANT'S REPORT

The calculations of basic and diluted earnings per share from the discontinued operation are based on:

	Year ended 31 December
	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 (<i>note 14</i>)	1,186,740
Weighted average number of ordinary shares used in the diluted earnings per share calculation (<i>note 14</i>)	1,186,740

13. DIVIDENDS

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Interim	540,000	-	-	-	229,153
Final	<u>421,182</u>	<u>-</u>	<u>114,576</u>	<u>-</u>	<u>-</u>

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 numbers of ordinary shares in issue during the Relevant Periods.

The calculations of basic earnings/loss per share are based on:

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
				<i>(Unaudited)</i>	
<u>Earnings</u>					
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculation: (RMB'000)					
From continuing operations	807,287	871,165	956,409	596,820	609,472
From a discontinued operation	<u>(39,355)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>767,932</u>	<u>871,165</u>	<u>956,409</u>	<u>596,820</u>	<u>609,472</u>
<u>Shares</u>					
Weighted average number of ordinary shares in issue during the year/period used in the basic earnings/(loss) per share calculation (thousand shares)					
	1,186,740	1,145,763	1,145,763	1,145,763	1,145,763
Earnings/(loss) per share					
From continuing operations	<u>0.68</u>	<u>0.76</u>	<u>0.83</u>	<u>0.52</u>	<u>0.53</u>
From a discontinued operation	<u>(0.03)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

APPENDIX I

ACCOUNTANT'S REPORT

15. PROPERTY, PLANT AND EQUIPMENT

The Group

31 December 2022

	Buildings	Machinery and others	Electronic and office equipment	Motor vehicles	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2022						
Cost	1,373,621	1,144,469	83,672	20,228	74,131	2,696,121
Accumulated depreciation and impairment	<u>(517,980)</u>	<u>(701,188)</u>	<u>(67,002)</u>	<u>(11,286)</u>	–	<u>(1,297,456)</u>
Net carrying amount	<u>855,641</u>	<u>443,281</u>	<u>16,670</u>	<u>8,942</u>	<u>74,131</u>	<u>1,398,665</u>
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 (<i>note 7</i>)	(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	<u>(200,738)</u>	<u>(47,061)</u>	<u>(1,530)</u>	<u>(1,313)</u>	–	<u>(250,642)</u>
At 31 December 2022, net of accumulated depreciation and impairment	<u>614,702</u>	<u>413,299</u>	<u>24,073</u>	<u>10,665</u>	<u>106,710</u>	<u>1,169,449</u>
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	<u>(399,954)</u>	<u>(646,957)</u>	<u>(61,442)</u>	<u>(9,626)</u>	–	<u>(1,117,979)</u>
Net carrying amount	<u>614,702</u>	<u>413,299</u>	<u>24,073</u>	<u>10,665</u>	<u>106,710</u>	<u>1,169,449</u>

APPENDIX I

ACCOUNTANT'S REPORT

31 December 2023

	Buildings	Machinery and others	Electronic and office equipment	Motor vehicles	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>614,702</u>	<u>413,299</u>	<u>24,073</u>	<u>10,665</u>	<u>106,710</u>	<u>1,169,449</u>
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 (<i>note 7</i>)	(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	<u>578,222</u>	<u>476,066</u>	<u>27,348</u>	<u>9,275</u>	<u>287,932</u>	<u>1,378,843</u>
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	<u>578,222</u>	<u>476,066</u>	<u>27,348</u>	<u>9,275</u>	<u>287,932</u>	<u>1,378,843</u>

31 December 2024

	Buildings	Machinery and others	Electronic and office equipment	Motor vehicles	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>578,222</u>	<u>476,066</u>	<u>27,348</u>	<u>9,275</u>	<u>287,932</u>	<u>1,378,843</u>
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 (<i>note 7</i>)	(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	<u>551,868</u>	<u>569,802</u>	<u>24,529</u>	<u>11,272</u>	<u>825,517</u>	<u>1,982,988</u>
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	<u>551,868</u>	<u>569,802</u>	<u>24,529</u>	<u>11,272</u>	<u>825,517</u>	<u>1,982,988</u>

APPENDIX I

ACCOUNTANT'S REPORT

30 June 2025

	Buildings	Machinery and others	Electronic and office equipment	Motor vehicles	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2025						
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	<u>551,868</u>	<u>569,802</u>	<u>24,529</u>	<u>11,272</u>	<u>825,517</u>	<u>1,982,988</u>
At 1 January 2025, net of accumulated depreciation and impairment	551,868	569,802	24,529	11,272	825,517	1,982,988
Additions	–	907	–	–	595,500	596,407
Disposals	–	(815)	(213)	(3)	–	(1,031)
Depreciation provided during the period (<i>note 7</i>)	(16,342)	(59,428)	(6,265)	(1,814)	–	(83,849)
Transfer	1,101	71,764	1,483	166	(74,514)	–
At 30 June 2025, net of accumulated depreciation and impairment	<u>536,627</u>	<u>582,230</u>	<u>19,534</u>	<u>9,621</u>	<u>1,346,503</u>	<u>2,494,515</u>
At 30 June 2025:						
Cost	1,012,204	1,436,600	81,211	25,259	1,346,503	3,901,777
Accumulated depreciation and impairment	(475,577)	(854,370)	(61,677)	(15,638)	–	(1,407,262)
Net carrying amount	<u>536,627</u>	<u>582,230</u>	<u>19,534</u>	<u>9,621</u>	<u>1,346,503</u>	<u>2,494,515</u>

The Company

31 December 2022

	Buildings	Machinery and others	Electronic and office equipment	Motor vehicles	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>762,018</u>	<u>333,351</u>	<u>15,136</u>	<u>6,891</u>	<u>53,643</u>	<u>1,171,039</u>
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 (<i>note 7</i>)	(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	<u>547,591</u>	<u>306,775</u>	<u>22,904</u>	<u>9,975</u>	<u>105,570</u>	<u>992,815</u>
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	<u>547,591</u>	<u>306,775</u>	<u>22,904</u>	<u>9,975</u>	<u>105,570</u>	<u>992,815</u>

APPENDIX I

ACCOUNTANT'S REPORT

31 December 2023

	Buildings	Machinery and others	Electronic and office equipment	Motor vehicles	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>547,591</u>	<u>306,775</u>	<u>22,904</u>	<u>9,975</u>	<u>105,570</u>	<u>992,815</u>
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 (<i>note 7</i>)	(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	<u>514,888</u>	<u>355,572</u>	<u>25,603</u>	<u>8,499</u>	<u>117,685</u>	<u>1,022,247</u>
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	<u>514,888</u>	<u>355,572</u>	<u>25,603</u>	<u>8,499</u>	<u>117,685</u>	<u>1,022,247</u>

31 December 2024

	Buildings	Machinery and others	Electronic and office equipment	Motor vehicles	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>514,888</u>	<u>355,572</u>	<u>25,603</u>	<u>8,499</u>	<u>117,685</u>	<u>1,022,247</u>
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 (<i>note 7</i>)	(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	<u>491,481</u>	<u>421,168</u>	<u>21,276</u>	<u>10,534</u>	<u>348,462</u>	<u>1,292,921</u>
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	<u>491,481</u>	<u>421,168</u>	<u>21,276</u>	<u>10,534</u>	<u>348,462</u>	<u>1,292,921</u>

APPENDIX I

ACCOUNTANT'S REPORT

30 June 2025

	Buildings	Machinery and others	Electronic and office equipment	Motor vehicles	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2025						
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	<u>491,481</u>	<u>421,168</u>	<u>21,276</u>	<u>10,534</u>	<u>348,462</u>	<u>1,292,921</u>
At 30 June 2025, net of accumulated depreciation and impairment						
	491,481	421,168	21,276	10,534	348,462	1,292,921
Additions	–	226	–	–	273,588	273,814
Disposals	–	(708)	(205)	(3)	–	(916)
Depreciation provided during the period (<i>note 7</i>)	(14,325)	(43,869)	(5,549)	(1,719)	–	(65,462)
Transfer	<u>1,101</u>	<u>44,427</u>	<u>1,464</u>	<u>118</u>	<u>(47,110)</u>	<u>–</u>
At 30 June 2025, net of accumulated depreciation and impairment						
	<u>478,257</u>	<u>421,244</u>	<u>16,986</u>	<u>8,930</u>	<u>574,940</u>	<u>1,500,357</u>
At 30 June 2025:						
Cost	908,611	1,117,676	73,407	22,798	574,940	2,697,432
Accumulated depreciation and impairment	(430,354)	(696,432)	(56,421)	(13,868)	–	(1,197,075)
Net carrying amount	<u>478,257</u>	<u>421,244</u>	<u>16,986</u>	<u>8,930</u>	<u>574,940</u>	<u>1,500,357</u>

16. INVESTMENT PROPERTIES

The Group and the Company

31 December 2022

	Land	Buildings	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January:			
Cost	869	5,823	6,692
Accumulated depreciation and impairment	(260)	(3,400)	(3,660)
Net carrying amount	<u>609</u>	<u>2,423</u>	<u>3,032</u>
At 1 January, net of accumulated depreciation and impairment			
	609	2,423	3,032
Transfer from property, plant and equipment	3,479	3,479	3,479
Effects of a spin-off	(597)	(514)	(1,111)
Depreciation provided during the year	(12)	(189)	(201)
At 31 December:	<u>–</u>	<u>5,199</u>	<u>5,199</u>
At 31 December:			
Cost	–	22,788	22,788
Accumulated depreciation and impairment	–	(17,589)	(17,589)
Net carrying amount	<u>–</u>	<u>5,199</u>	<u>5,199</u>

APPENDIX I

ACCOUNTANT'S REPORT

31 December 2023

	Buildings
	<i>RMB'000</i>
At 1 January:	
Cost	22,788
Accumulated depreciation and impairment	(17,589)
Net carrying amount	<u>5,199</u>
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:	<u>2,188</u>
At 31 December:	
Cost	6,585
Accumulated depreciation and impairment	(4,397)
Net carrying amount	<u>2,188</u>

31 December 2024

	Buildings
	<i>RMB'000</i>
At 1 January:	
Cost	6,585
Accumulated depreciation and impairment	(4,397)
Net carrying amount	<u>2,188</u>
At 1 January, net of accumulated depreciation and impairment	2,188
Addition	26
Depreciation provided during the year	(133)
At 31 December:	<u>2,081</u>
At 31 December:	
Cost	6,611
Accumulated depreciation and impairment	(4,530)
Net carrying amount	<u>2,081</u>

30 June 2025

	Buildings
	<i>RMB'000</i>
At 1 January:	
Cost	6,611
Accumulated depreciation and impairment	(4,530)
Net carrying amount	<u>2,081</u>
At 1 January, net of accumulated depreciation and impairment	2,081
Depreciation provided during the period	(67)
At 30 June:	<u>2,014</u>
At 30 June:	
Cost	6,611
Accumulated depreciation and impairment	(4,597)
Net carrying amount	<u>2,014</u>

APPENDIX I

ACCOUNTANT'S REPORT

17. LEASES

The Group as a lessee

The Group has lease contracts for buildings and motor vehicles. 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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>(9,847)</u>	<u>(7,371)</u>	<u>(101)</u>	<u>(17,319)</u>
At 31 December 2022 and 1 January 2023	<u>259,311</u>	<u>13,009</u>	<u>–</u>	<u>272,320</u>
Additions	69,897	61,431	443	131,771
Depreciation charge	<u>(9,049)</u>	<u>(24,216)</u>	<u>(15)</u>	<u>(33,280)</u>
At 31 December 2023 and 1 January 2024	<u>320,159</u>	<u>50,224</u>	<u>428</u>	<u>370,811</u>
Additions	83,551	49,016	–	132,567
Disposal	–	(91)	–	(91)
Depreciation charge	<u>(11,186)</u>	<u>(37,283)</u>	<u>(89)</u>	<u>(48,558)</u>
At 31 December 2024 and 1 January 2025	<u>392,524</u>	<u>61,866</u>	<u>339</u>	<u>454,729</u>
Additions	48,007	249	–	48,256
Disposal	–	(878)	–	(878)
Depreciation charge	<u>(6,074)</u>	<u>(20,394)</u>	<u>(44)</u>	<u>(26,512)</u>
As at 30 June 2025	<u>434,457</u>	<u>40,843</u>	<u>295</u>	<u>475,595</u>

APPENDIX I

ACCOUNTANT’S REPORT

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	<u>221,193</u>	<u>12,910</u>	<u>–</u>	<u>234,103</u>
Additions	435	53,528	443	54,406
Depreciation charge	(6,240)	(23,871)	(15)	(30,126)
At 31 December 2023 and 1 January 2024	<u>215,388</u>	<u>42,567</u>	<u>428</u>	<u>258,383</u>
Additions	83,551	48,747	–	132,298
Disposal	–	(92)	–	(92)
Depreciation charge	(7,915)	(35,867)	(89)	(43,871)
At 31 December 2024 and 1 January 2025	<u>291,024</u>	<u>55,355</u>	<u>339</u>	<u>346,718</u>
Additions	–	249	–	249
Disposal	–	(615)	–	(615)
Depreciation charge	(3,957)	(19,907)	(44)	(23,908)
As at 30 June 2025	<u>287,067</u>	<u>35,082</u>	<u>295</u>	<u>322,444</u>

(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			Six months ended 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January	13,329	12,256	49,369	60,725
Additions	10,448	61,874	49,016	249
Accretion of interest recognised during the year/period	187	1,908	1,806	1,068
Effects of a spin-off	(2,855)	–	–	–
Settlements without payment	(6,477)	(6,635)	(8,717)	(4,642)
Lease payment	(2,376)	(20,034)	(30,749)	(18,463)
Carrying amount at 31 December/30 June	<u>12,256</u>	<u>49,369</u>	<u>60,725</u>	<u>38,937</u>
Analysed into:				
Current portion	7,427	28,007	38,995	27,101
Non-current portion	4,829	21,362	21,730	11,836

APPENDIX I

ACCOUNTANT'S REPORT

The Company

	Year ended 31 December			Six months ended 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January	8,436	12,154	42,400	55,060
Additions	11,208	53,970	48,448	249
Accretion of interest recognised during the year/period	78	1,631	1,492	932
Settlements without payment	(6,202)	(6,458)	(8,470)	(4,505)
Lease payment	(1,366)	(18,897)	(28,810)	(18,368)
Carrying amount at 31 December/30 June	<u>12,154</u>	<u>42,400</u>	<u>55,060</u>	<u>33,368</u>
Analysed into:				
Current portion	7,413	26,562	37,596	25,803
Non-current portion	<u>4,741</u>	<u>15,838</u>	<u>17,464</u>	<u>7,565</u>

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

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest on lease liabilities	187	1,908	1,806	870	1,068
Depreciation charge of right-of-use assets	17,319	33,280	48,558	23,712	26,512
Expense related to short-term leases	<u>16,882</u>	<u>22,903</u>	<u>12,971</u>	<u>6,769</u>	<u>10,239</u>
Total amount recognised in profit or loss	<u>34,388</u>	<u>58,091</u>	<u>63,335</u>	<u>31,351</u>	<u>37,819</u>

(d) The total cash outflow for leases is disclosed in note 39(b) to the Historical Financial Information.

18. 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	<u>530,189</u>	<u>42,065</u>	<u>193</u>	<u>572,447</u>
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	<u>530,189</u>	<u>36,486</u>	<u>–</u>	<u>566,675</u>

APPENDIX I

ACCOUNTANT'S REPORT

	<u>Trademark rights</u>	<u>Software</u>	<u>Other</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 31 December:				
Cost	530,189	155,136	–	685,325
Accumulated amortisation	–	(118,650)	–	(118,650)
Net carrying amount	<u>530,189</u>	<u>36,486</u>	–	<u>566,675</u>

31 December 2023

	<u>Trademark rights</u>	<u>Software</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January:			
Cost	530,189	155,136	685,325
Accumulated amortisation	–	(118,650)	(118,650)
Net carrying amount	<u>530,189</u>	<u>36,486</u>	<u>566,675</u>
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	<u>530,189</u>	<u>18,251</u>	<u>548,440</u>
At 31 December:			
Cost	530,189	155,171	685,360
Accumulated amortisation	–	(136,920)	(136,920)
Net carrying amount	<u>530,189</u>	<u>18,251</u>	<u>548,440</u>

31 December 2024

	<u>Trademark rights</u>	<u>Software</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January:			
Cost	530,189	155,171	685,360
Accumulated amortisation	–	(136,920)	(136,920)
Net carrying amount	<u>530,189</u>	<u>18,251</u>	<u>548,440</u>
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	<u>530,189</u>	<u>15,793</u>	<u>545,982</u>
At 31 December:			
Cost	530,189	158,233	688,422
Accumulated amortisation	–	(142,440)	(142,440)
Net carrying amount	<u>530,189</u>	<u>15,793</u>	<u>545,982</u>

APPENDIX I

ACCOUNTANT’S REPORT

30 June 2025

	Trademark rights	Software	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January:			
Cost	530,189	158,233	688,422
Accumulated amortisation	–	(142,440)	(142,440)
Net carrying amount	<u>530,189</u>	<u>15,793</u>	<u>545,982</u>
Cost at 1 January, net of accumulated amortisation	530,189	15,793	545,982
Addition	–	11,510	11,510
Amortisation provided during the period	–	(4,788)	(4,788)
At 30 June	<u>530,189</u>	<u>22,515</u>	<u>552,704</u>
At 30 June:			
Cost	530,189	169,743	699,932
Accumulated amortisation	–	(147,228)	(147,228)
Net carrying amount	<u>530,189</u>	<u>22,515</u>	<u>552,704</u>

In 2020, the Company acquired the Lovol trademark series for RMB530,188,000, with an indefinite useful life. Such intangible assets are not amortised. The Company performs an annual impairment test on this asset. The recoverable amount of the trademark right has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of trademark rights:

Sales royalty rate — The range for the sales royalty rate is determined based on appraisal practices and international conventions, and the specific rate is then established according to factors affecting the value of the intangible asset.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the relevant units.

The values assigned to the key assumptions on market development of industries, sales royalty rate and discount rates are consistent with external information sources. As of December 31, 2022, 2023 and 2024, the discount rates used are 15.48%, 15.70% and 17.86%.

As of 31 December 2022, 2023 and 2024, the carrying amount of trademark rights was not impaired. The results of the impairment test are as follows:

	Year ended 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount of Trademark rights with indefinite useful lives	530,189	530,189	530,189
Recoverable amount of Trademark rights with indefinite useful lives	567,777	542,760	605,457
Whether impaired	No	No	No

The Company has performed sensitivity test by decreasing 2% of the sales royalty rate or increasing 2% of discount rates, with all other assumptions held constant. The impacts on the amount by which the trademark rights’ recoverable amount above its carry amount (headroom) are as below:

	Year ended 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Headroom	37,549	12,571	75,068
Impact by decreasing sales royalty rate	(11,317)	(10,885)	(11,909)
Impact by increasing discount rates	(10,768)	(10,176)	(11,244)

Considering that there was sufficient headroom based on the assessment, the directors of the Company believe that, for the trademark rights, a reasonably possible change in the key assumptions of the cash flow projections would not cause its carrying amount exceed its recoverable amount.

APPENDIX I

ACCOUNTANT'S REPORT

As disclosed in previous paragraph, intangible assets with indefinite useful lives are tested for impairment annually. In this regard, the Company's management did not identify any significant adverse changes in the operating results and the macroenvironment during the six months ended 30 June 2025, and considers that there was sufficient headroom. Accordingly, the directors of the Company believe that any reasonably possible change in any of the key assumptions would not cause the carrying amount to exceed its recoverable amount.

The Company

31 December 2022

	<u>Trademark rights</u>	<u>Software</u>	<u>Other</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January:				
Cost	530,189	148,327	617	679,133
Accumulated amortisation	–	(113,684)	(617)	(114,301)
Net carrying amount	<u>530,189</u>	<u>34,643</u>	<u>–</u>	<u>564,832</u>
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	<u>530,189</u>	<u>31,293</u>	<u>–</u>	<u>561,482</u>
At 31 December:				
Cost	530,189	139,724	–	669,913
Accumulated amortisation	–	(108,431)	–	(108,431)
Net carrying amount	<u>530,189</u>	<u>31,293</u>	<u>–</u>	<u>561,482</u>

31 December 2023

	<u>Trademark rights</u>	<u>Software</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January:			
Cost	530,189	139,724	669,913
Accumulated amortisation	–	(108,431)	(108,431)
Net carrying amount	<u>530,189</u>	<u>31,293</u>	<u>561,482</u>
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	<u>530,189</u>	<u>16,526</u>	<u>546,715</u>
At 31 December:			
Cost	530,189	141,996	672,185
Accumulated amortisation	–	(125,470)	(125,470)
Net carrying amount	<u>530,189</u>	<u>16,526</u>	<u>546,715</u>

31 December 2024

	<u>Trademark rights</u>	<u>Software</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January:			
Cost	530,189	141,996	672,185
Accumulated amortisation	–	(125,470)	(125,470)
Net carrying amount	<u>530,189</u>	<u>16,526</u>	<u>546,715</u>

APPENDIX I

ACCOUNTANT’S REPORT

	Trademark rights	Software	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>530,189</u>	<u>15,083</u>	<u>545,272</u>
At 31 December:			
Cost	530,189	145,079	675,268
Accumulated amortisation	–	(129,996)	(129,996)
Net carrying amount	<u>530,189</u>	<u>15,083</u>	<u>545,272</u>

30 June 2025

	Trademark rights	Software	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January:			
Cost	530,189	145,079	675,268
Accumulated amortisation	–	(129,996)	(129,996)
Net carrying amount	<u>530,189</u>	<u>15,083</u>	<u>545,272</u>
Cost at 1 January, net of accumulated amortisation	530,189	15,083	545,272
Addition	–	11,511	11,511
Amortisation provided during the period	–	(4,578)	(4,578)
At 30 June	<u>530,189</u>	<u>22,016</u>	<u>552,205</u>
At 30 June:			
Cost	530,189	156,590	686,779
Accumulated amortisation	–	(134,574)	(134,574)
Net carrying amount	<u>530,189</u>	<u>22,016</u>	<u>552,205</u>

19. INVESTMENTS IN ASSOCIATES

The Group and the Company

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Share of net assets	<u>297,667</u>	<u>307,515</u>	<u>307,695</u>	<u>288,625</u>

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 30 June 2025	Principal activities
Shandong Tongxin Zhixing Digital Intelligence Technology Co., Ltd. (“Shandong Tongxin Zhixing”) (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%	Manufacture of excavators

APPENDIX I

ACCOUNTANT’S REPORT

(a) On 15 January 2025, Weichai Intelligent Technology Co., Ltd. was renamed Shandong Tongxin Zhixing Digital Intelligence Technology Co., Ltd.

(b) In accordance with the amended articles of association of Shandong Tongxin Zhixing, the Company has the right to appoint one director and exercises significant influence over its financial and operating policies. Consequently, Shandong Tongxin Zhixing 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 Shandong Tongxin Zhixing, unilaterally increased its capital contribution to Shandong Tongxin Zhixing by RMB400,000,000. As a result, the Company’s equity stake in Shandong Tongxin Zhixing 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 Shandong Tongxin Zhixing. Consequently, Shandong Tongxin Zhixing 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			Six months ended 30 June
	2022	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000
Share of the associates’ (loss)/profit for the year/period	(20,472)	(8,769)	179	(19,070)
Share of the associates’ total comprehensive (loss)/income	(20,472)	(8,769)	179	(19,070)
Aggregate carrying amount of the Group’s investments in the associates.	<u>297,667</u>	<u>307,515</u>	<u>307,695</u>	<u>288,625</u>

20. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group and the Company

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000
[REDACTED] equity investments	<u>3,765</u>	<u>3,117</u>	<u>3,595</u>	<u>3,688</u>

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.

APPENDIX I

ACCOUNTANT’S REPORT

21. INVENTORIES AND OTHER CONTRACT COSTS

The Group

	Year ended 31 December			Six months ended 30 June
	2022	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	234,980	237,101	279,150	244,876
Semi-finished goods	105,353	128,635	152,792	103,095
Finished goods	1,883,931	3,251,603	2,388,453	1,655,905
Contract cost	26,293	24,819	11,561	4,107
Total	<u>2,250,557</u>	<u>3,642,158</u>	<u>2,831,956</u>	<u>2,007,983</u>

The Company

	Year ended 31 December			Six months ended 30 June
	2022	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	202,286	217,688	263,654	219,013
Semi-finished goods	94,103	119,773	124,442	82,211
Finished goods	1,811,309	3,212,603	2,365,031	1,619,452
Contract cost	26,293	24,819	11,135	3,775
Total	<u>2,133,991</u>	<u>3,574,883</u>	<u>2,764,262</u>	<u>1,924,451</u>

22. TRADE AND BILLS RECEIVABLES

The Group

	Year ended 31 December			Six months ended 30 June
	2022	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	1,037,929	842,798	607,920	2,942,207
Bills receivable	66,455	36,097	23,646	9,000
Less: Impairment of trade and bills receivables	<u>(474,601)</u>	<u>(443,542)</u>	<u>(86,705)</u>	<u>(124,884)</u>
Total	<u>629,783</u>	<u>435,353</u>	<u>544,861</u>	<u>2,826,323</u>

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 30 June 2025, no bills receivable held by the Group were pledged for the issuance of bills payable.

APPENDIX I

ACCOUNTANT'S REPORT

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			Six months ended 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	591,156	402,237	536,720	2,809,419
1 to 2 years	17,077	22,153	6,237	14,324
2 to 3 years	16,936	2,875	1,804	260
Over 3 years	4,614	8,088	100	2,320
Total	<u>629,783</u>	<u>435,353</u>	<u>544,861</u>	<u>2,826,323</u>

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

	Year ended 31 December			Six months ended 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	484,199	474,601	443,542	86,705
Effects of a spin-off	5,930	–	–	–
Impairment losses/(reversal), net (<i>note 7</i>)	(11,257)	(32,913)	(17,140)	34,132
Amount written off as uncollectible	(4,271)	–	(339,697)	–
Other addition	–	1,854	–	4,047
At end of year/period	<u>474,601</u>	<u>443,542</u>	<u>86,705</u>	<u>124,884</u>

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

APPENDIX I

ACCOUNTANT'S REPORT

As at 31 December 2023

	Current to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
<i>On a collective basis:</i>					
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
<i>On an individual basis:</i>					
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
<i>On a collective basis:</i>					
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
<i>On an individual basis:</i>					
Expected credit loss rate					58.18%
Gross carrying amount (RMB'000)					123,480
Expected credit losses (RMB'000)					71,842

As at 30 June 2025

	Current to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
<i>On a collective basis:</i>					
Expected credit loss rate	2.28%	31.02%	47.26%	100.00%	2.51%
Gross carrying amount (RMB'000)	2,796,804	20,765	493	380	2,818,442
Expected credit losses (RMB'000)	63,882	6,441	233	380	70,936
<i>On an individual basis:</i>					
Expected credit loss rate					40.63%
Gross carrying amount (RMB'000)					132,766
Expected credit losses (RMB'000)					53,948

APPENDIX I

ACCOUNTANT'S REPORT

The Company

	Year ended 31 December			Six months ended 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	837,249	584,358	202,669	2,455,239
Bills receivable	18,693	11,473	11,351	8,640
Less: Impairment of trade and bills receivables	(447,045)	(413,819)	(57,560)	(84,538)
Total	<u>408,897</u>	<u>182,012</u>	<u>156,460</u>	<u>2,379,341</u>

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			Six months ended 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year.	374,295	156,269	150,653	2,374,884
1 to 2 years.	12,722	19,168	3,903	1,996
2 to 3 years.	17,185	5,666	1,804	141
Over 3 years	4,695	909	100	2,320
Total	<u>408,897</u>	<u>182,012</u>	<u>156,460</u>	<u>2,379,341</u>

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

	Year ended 31 December			Six months ended 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	469,213	447,045	413,819	57,560
Effects of a spin-off	(439)	–	–	–
Impairment losses/(reversal), net . . .	(18,518)	(35,080)	(16,637)	22,931
Amount written off as uncollectible .	(3,211)	–	(339,622)	–
Other addition	–	1,854	–	4,047
At end of year/period.	<u>447,045</u>	<u>413,819</u>	<u>57,560</u>	<u>84,538</u>

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

APPENDIX I

ACCOUNTANT'S REPORT

	<u>Current to one year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>Over 3 years</u>	<u>Total</u>
<i>On an individual basis:</i>					
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

	<u>Current to one year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>Over 3 years</u>	<u>Total</u>
<i>On a collective basis:</i>					
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
<i>On an individual basis:</i>					
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

	<u>Current to one year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>Over 3 years</u>	<u>Total</u>
<i>On a collective basis:</i>					
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
<i>On an individual basis:</i>					
Expected credit loss rate					91.86%
Gross carrying amount (RMB'000)					57,128
Expected credit losses (RMB'000)					52,480

As at 30 June 2025

	<u>Current to one year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>Over 3 years</u>	<u>Total</u>
<i>On a collective basis:</i>					
Expected credit loss rate	2.36%	31.02%	47.29%	100.00%	2.41%
Gross carrying amount (RMB'000)	2,432,304	2,893	267	380	2,435,844
Expected credit losses (RMB'000)	57,419	898	126	380	58,823

APPENDIX I

ACCOUNTANT’S REPORT

	Current to one year	1 to 2 years	2 to 3 years	Over 3 years	Total
<i>On an individual basis:</i>					
Expected credit loss rate					91.73%
Gross carrying amount (RMB’000)					28,035
Expected credit losses (RMB’000)					25,715

	Year ended 31 December			Six months ended 30 June
	2022	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000
Amounts due from subsidiaries	44,349	93,765	158,313	351,820

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	Year ended 31 December			Six months ended 30 June
	2022	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000
Current:				
Advances to suppliers	49,931	64,354	141,452	77,142
Deposits	13,066	12,989	3,893	4,261
Value added tax (“VAT”) recoverable	80,263	425,165	825,970	906,254
Amounts due from related parties . .	634,910	622,715	622,715	622,715
Amounts due from third parties . . .	125,257	129,992	144,681	159,325
Cost of returns receivable	–	–	–	14,694
[REDACTED] capitalization costs . .	–	–	–	5,344
Others	12,476	19,930	4,263	4,995
Less: Impairment	(739,264)	(740,350)	(739,075)	(739,068)
	<u>176,639</u>	<u>534,795</u>	<u>1,003,899</u>	<u>1,055,662</u>
Non-current:				
Advances for software purchases . .	–	–	–	8,381
Advances for land and equipment purchases	14,780	91,939	–	–
	<u>14,780</u>	<u>91,939</u>	<u>–</u>	<u>8,381</u>

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 and 30 June 2025, 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.

Amounts due from related parties were non-trade in nature.

APPENDIX I

ACCOUNTANT’S REPORT

The Company

	Year ended 31 December			Six months ended 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Current:				
Advances to suppliers	40,382	60,048	137,356	115,302
Deposits	11,702	12,342	3,454	2,951
VAT recoverable	81,156	18,034	788,103	857,857
Amounts due from related parties . .	660,663	622,708	622,708	622,708
Amounts due from third-parties . . .	117,967	525,672	125,841	119,742
Cost of returns receivable	–	–	–	14,694
[REDACTED] capitalization costs . .	–	–	–	5,344
Others	7,569	1,001	2,244	1,930
Less: Impairment	(764,764)	(740,107)	(738,840)	(738,789)
	<u>154,675</u>	<u>499,698</u>	<u>940,866</u>	<u>1,001,739</u>
Non-current:				
Advances for software purchases . .	–	–	–	8,381
Advances for land and equipment purchases	2,199	91,938	–	–
	<u>2,199</u>	<u>91,938</u>	<u>–</u>	<u>8,381</u>

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group and the Company

	Year ended 31 December			Six months ended 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Structured deposits	–	940,250	1,092,068	2,208,691
	<u>–</u>	<u>940,250</u>	<u>1,092,068</u>	<u>2,208,691</u>

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			Six months ended 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand and cash at banks . . .	5,889,399	5,451,296	4,780,087	3,453,698
Short-term bank deposits	–	–	3,171,508	764,896
Cash and bank balances	5,889,399	5,451,296	7,951,595	4,218,594
Restricted bank deposits*	820,295	973,586	1,688,104	1,030,082
Current portion of long-term time deposits	–	–	85,297	86,352
Long-term time deposits	–	–	342,672	948,655

APPENDIX I

ACCOUNTANT’S REPORT

	Year ended 31 December			Six months ended 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Denominated in				
<i>Cash and bank balances</i>				
RMB	5,747,733	5,296,756	7,848,616	4,016,468
USD	77,352	106,168	54,742	157,314
EUR	64,314	48,372	48,237	44,812
	<u>5,889,399</u>	<u>5,451,296</u>	<u>7,951,595</u>	<u>4,218,594</u>
<i>Restricted cash</i>				
RMB	<u>820,295</u>	<u>973,586</u>	<u>1,688,104</u>	<u>1,030,082</u>
<i>Current portion of long-term time deposits</i>				
RMB	<u>–</u>	<u>–</u>	<u>85,297</u>	<u>86,352</u>
<i>Long-term time deposits</i>				
RMB	<u>–</u>	<u>–</u>	<u>342,672</u>	<u>948,655</u>

* 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			Six months ended 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand and cash at banks . . .	5,578,987	5,047,974	4,542,390	3,098,714
Short-term bank deposits	<u>–</u>	<u>–</u>	<u>3,146,663</u>	<u>734,755</u>
Cash and bank balances	<u>5,578,987</u>	<u>5,047,974</u>	<u>7,689,053</u>	<u>3,833,469</u>
Restricted bank deposits*	<u>770,991</u>	<u>892,813</u>	<u>1,502,903</u>	<u>972,538</u>
Current portion of long-term time deposits	<u>–</u>	<u>–</u>	<u>85,297</u>	<u>86,352</u>
Long-term time deposits	<u>–</u>	<u>–</u>	<u>342,672</u>	<u>948,655</u>
Denominated in				
<i>Cash and bank balances</i>				
RMB	5,519,440	4,992,819	7,636,468	3,739,866
USD	33,012	19,607	10,435	55,775
EUR	26,535	35,548	42,150	37,828
	<u>5,578,987</u>	<u>5,047,974</u>	<u>7,689,053</u>	<u>3,833,469</u>
<i>Restricted cash</i>				
RMB	<u>770,991</u>	<u>892,813</u>	<u>1,502,903</u>	<u>972,538</u>

APPENDIX I

ACCOUNTANT'S REPORT

	Year ended 31 December			Six months ended 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
<i>Current portion of long-term time deposits</i>				
RMB	–	–	85,297	86,352
	=	=	<u> </u>	<u> </u>
<i>Long-term time deposits</i>				
RMB	–	–	342,672	948,655
	=	=	<u> </u>	<u> </u>

26. TRADE AND BILLS PAYABLES

The Group

	Year ended 31 December			Six months ended 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	3,191,539	3,955,863	4,200,256	5,962,955
Bills payable	3,776,525	4,168,745	8,168,459	5,282,136
Total	<u>6,968,064</u>	<u>8,124,608</u>	<u>12,368,715</u>	<u>11,245,091</u>

The trade payables 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			Six months ended 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	6,857,334	8,056,929	12,275,328	11,137,187
1 to 2 years	21,996	12,947	44,191	40,554
2 to 3 years	23,228	4,608	6,675	26,147
Over 3 years	65,506	50,124	42,521	41,203
Total	<u>6,968,064</u>	<u>8,124,608</u>	<u>12,368,715</u>	<u>11,245,091</u>

The Company

	Year ended 31 December			Six months ended 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	2,910,636	3,675,874	3,875,540	5,535,174
Bills payable	3,500,603	3,795,792	7,703,264	4,994,861
Total	<u>6,411,239</u>	<u>7,471,666</u>	<u>11,578,804</u>	<u>10,530,035</u>

APPENDIX I

ACCOUNTANT'S REPORT

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			Six months ended 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	6,315,778	7,417,357	11,503,484	10,449,329
1 to 2 years	16,779	9,762	35,238	31,137
2 to 3 years	21,717	4,224	4,616	19,955
Over 3 years	56,965	40,323	35,466	29,614
Total	<u>6,411,239</u>	<u>7,471,666</u>	<u>11,578,804</u>	<u>10,530,035</u>

	Year ended 31 December			Six months ended 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from subsidiaries	<u>209,069</u>	<u>273,685</u>	<u>441,279</u>	<u>439,723</u>

27. OTHER PAYABLES AND ACCRUALS

The Group

	Year ended 31 December			Six months ended 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Current:				
Payroll and welfare payable	199,727	178,797	188,852	141,393
Other tax payables	122,718	82,770	66,264	26,989
Accruals	675,230	517,032	632,780	535,122
Deposits	208,732	233,303	230,884	287,726
Payables for purchase of non-current assets	62,085	79,361	51,824	485,118
Dividend payables	–	–	–	229,153
Other payables	31,474	31,470	30,786	56,585
	<u>1,299,966</u>	<u>1,122,733</u>	<u>1,201,390</u>	<u>1,762,086</u>
Non-current:				
Payroll and welfare payable	<u>20,781</u>	<u>17,797</u>	<u>18,995</u>	<u>14,988</u>

Other payables are non-interest-bearing, unsecured and repayable on demand.

APPENDIX I

ACCOUNTANT'S REPORT

The Company

	Year ended 31 December			Six months ended 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Current:				
Payroll and welfare payable	179,840	157,561	169,928	124,609
Other tax payables	121,131	80,839	61,468	23,415
Accruals	628,331	464,623	593,147	505,045
Deposits	194,625	227,238	221,962	275,863
Payables for purchase of non-current assets	59,245	65,630	43,133	226,246
Dividend payables	–	–	–	229,153
Other payables	28,574	30,954	29,201	55,970
	<u>1,211,746</u>	<u>1,026,845</u>	<u>1,118,839</u>	<u>1,440,301</u>
Non-current:				
Payroll and welfare payable	<u>18,271</u>	<u>16,310</u>	<u>17,835</u>	<u>14,184</u>

	Year ended 31 December			Six months ended 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from a subsidiary . . .	–	1,600	–	–
	=	<u>1,600</u>	=	=

28. CONTRACT LIABILITIES

The Group

	Year ended 31 December			Six months ended 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Sales of merchandise	<u>1,515,341</u>	<u>2,022,496</u>	<u>970,808</u>	<u>447,813</u>

Contract liabilities include advances received from customers for sales of agricultural equipment. The decrease in contract liabilities as at 30 June 2025 was mainly due to the decrease of short-term advances received from customers in relation to the sale of equipment at the end of first six months of that year.

The Company

	Year ended 31 December			Six months ended 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Sales of merchandise	<u>1,438,231</u>	<u>1,918,123</u>	<u>860,032</u>	<u>342,773</u>

APPENDIX I

ACCOUNTANT’S REPORT

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	–	–	–	–	–	–	3	2025	22,523
			=			=			
				At 30 June					
				2025					
				Effective interest rate (%)	Maturity	RMB'000			
Current									
Bank loans – unsecured				3	2025-2026	74,881			
				=	=	=			

Note: As at 30 June 2025, 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 Relevant Periods 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)

APPENDIX I

ACCOUNTANT’S REPORT

	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
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 and 1 January 2025 . . .	—	65	40,165	31,811	8,259	310	80,610
Deferred tax (credited)/charged to other comprehensive income during the period	—	14	—	—	—	—	14
Deferred tax (credited)/charged to profit or loss during the period	—	—	9,800	3,977	(3,254)	994	11,517
At 30 June 2025	—	79	49,965	35,788	5,005	1,304	92,141

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

APPENDIX I

ACCOUNTANT'S REPORT

	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
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 and 1 January 2025	148,531	3,440	121,663	58,450	25,530	57,988	8,259	1,592	–	425,453
Deferred tax credited/(charged) to profit or loss during the period	5,479	(1,542)	(4,548)	15,089	(3,409)	(2,057)	(3,254)	(1,592)	–	4,166
At 30 June 2025	154,010	1,898	117,115	73,539	22,121	55,931	5,005	–	–	429,619

The Company

The movements in deferred tax liabilities and assets during the Relevant Periods 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)

APPENDIX I

ACCOUNTANT’S REPORT

	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
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 and 1 January 2025	65	31,317	31,811	8,259	310	71,762
Deferred tax (credited)/charged to other comprehensive income during the period	14	–	–	–	–	14
Deferred tax (credited)/charged to profit or loss during the period	–	8,713	3,977	(3,254)	994	10,430
At 30 June 2025	79	40,030	35,788	5,005	1,304	82,206

Deferred tax assets:

	Impairment	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
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)

APPENDIX I

ACCOUNTANT'S REPORT

	Impairment	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
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 and 1 January 2025	137,021	119,794	48,521	22,406	40,283	8,259	-	-	376,284
Deferred tax credited/(charged) to profit or loss during the period	2,735	(2,546)	10,251	(3,107)	(2,392)	(3,254)	-	-	1,687
At 30 June 2025	139,756	117,248	58,772	19,299	37,891	5,005	-	-	377,971

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			Six months ended 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	419,221	390,552	344,843	337,478
Net deferred tax liabilities recognised in the consolidated statement of financial position	246	49	-	-

The Company

	Year ended 31 December			Six months ended 30 June
	2022	2023	2024	2025
	RMB'000	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	295,765

The Group

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.

APPENDIX I

ACCOUNTANT’S REPORT

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

	As at 31 December			Six months ended 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Tax losses	7,845	8,182	5,884	3,317
Deductible temporary differences . .	139	1,715	1,401	1,846
Total	<u>7,984</u>	<u>9,897</u>	<u>7,285</u>	<u>5,163</u>

Tax losses of the Group will expire in one to five years for offsetting against future taxable profits, no later than 2028.

31. PROVISION

The Group

	Year ended 31 December			Six months ended 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Warranties (a)	360,111	383,133	364,761	422,929
Refund liabilities (b)	–	–	–	18,646
Litigation compensation (c)	17,322	17,559	18,839	–
Total	<u>377,433</u>	<u>400,692</u>	<u>383,600</u>	<u>441,575</u>

The Company

	Year ended 31 December			Six months ended 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Warranties (a)	298,918	308,730	323,475	391,813
Refund liabilities (b)	–	–	–	18,646
Litigation compensation (c)	17,322	17,559	18,839	–
Total	<u>316,240</u>	<u>326,289</u>	<u>342,314</u>	<u>410,459</u>

(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 by the Group during the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2025 were RMB159,556,000, RMB143,848,000, RMB204,011,000 and RMB131,075,000, respectively.

(b) Refund liabilities

The Company has revised the dealer commercial policy, in the revised dealer commercial policy, the clause governing accessory return specifies that accessories sold in the current fiscal year shall be eligible for return within the same fiscal year, and no return shall be accepted for those exceeding the prescribed time limit.

APPENDIX I

ACCOUNTANT’S REPORT

For a sale of products with a right to return products, the Group recognises all of the following:

- (i) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled. Therefore, revenue would not be recognised for the products expected to be returned; and
- (ii) a refund liability.

The right to returned goods asset represents the Group’s right to recover products from customers where customers exercise their right of return under the Group’s return policy.

	Year ended 31 December			Six months ended 30 June
	2022	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000
Arising from right of return	–	–	–	18,646

- (c) Litigation compensation

The provisions for litigation compensation is made based on the opinion of the Group’s legal adviser on the possible outcome and liabilities due to two litigation cases that the Company undertook the joint and several liability for one project company.

32. DEFERRED INCOME

The Group

The movements in government grants for the Group during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June
	2022	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000
Government grants	235,901	363,575	345,255	331,669
At beginning of year/period	198,850	235,901	363,575	345,255
Grants received during the year/period	72,374	171,744	101,029	35,716
Released to the statement of profit or loss during the year/period	(35,323)	(44,070)	(119,349)	(49,302)
At end of year/period	235,901	363,575	345,255	331,669

The Company

The movements in government grants for the Company during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June
	2022	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000
Government grants	215,751	284,947	268,556	252,604
At beginning of year/period	177,254	215,751	284,947	268,556
Grants received during the year/period	134,871	170,641	149,358	31,790
Released to the statement of profit or loss during the year/period	(96,374)	(101,445)	(165,749)	(47,742)
At end of year/period	215,751	284,947	268,556	252,604

APPENDIX I

ACCOUNTANT’S REPORT

33. COMMITMENTS

The Group had the following contractual commitments at the end of each of the Relevant Periods:

	Year ended 31 December			Six months ended 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:				
Property, plant and equipment . . .	<u>571,127</u>	<u>1,128,104</u>	<u>1,166,185</u>	<u>188,077</u>

34. SHARE CAPITAL

The Group and the Company

A summary of the Company’s share capital is as follows:

	Year ended 31 December			Six months ended 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Number of shares registered, issued and fully paid (at par value of RMB1 each)	<u>1,145,763</u>	<u>1,145,763</u>	<u>1,145,763</u>	<u>1,145,763</u>

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 its profit after tax, as determined in accordance with the relevant PRC accounting standards, to its respective statutory surplus reserve until the reserve reaches 50% of its 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.

APPENDIX I

ACCOUNTANT’S REPORT

The Company

	Capital and other reserve	Fair value reserve from equity investments designated at fair value through other comprehensive income	Retained earnings	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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 and 1 January 2025	607,517	371	1,782,404	2,390,292
Profit for the period.	–	–	599,443	599,443
Other comprehensive income for the period	–	79	–	79
Total comprehensive income for the period	–	79	599,443	599,522
Transactions between shareholders. . . .	42	–	–	42
Allocation and utilisation of special reserve	(5,082)	–	5,082	–
Distribution	–	–	(229,153)	(229,153)
Transfer to reserves	–	–	–	–
As at 30 June 2025	602,477	450	2,157,776	2,760,703

APPENDIX I

ACCOUNTANT’S REPORT

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 1 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
	<i>RMB’000</i>
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	<u>7,968</u>
Total identifiable net assets at carrying amount	58,162
Difference between cash consideration and identifiable net assets recognised in reserves	<u>14,275</u>
Satisfied by cash	<u><u>72,437</u></u>

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	<i>RMB’000</i>
Cash consideration	<u>(72,437)</u>
Total cash outflow	<u><u>(72,437)</u></u>

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
	<i>RMB’000</i>
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	<u>(3,061)</u>
Subtotal	534,987
Loss on disposal of a subsidiary	<u>(12,102)</u>
Satisfied by cash	<u><u>522,885</u></u>

APPENDIX I

ACCOUNTANT'S REPORT

An analysis of the cash flows in respect of the disposal of a subsidiary is as follows:

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	<u>498,380</u>

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 spun off following assets 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 spun 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:

	<u>2022</u>
	<i>RMB'000</i>
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.	<u>(537,627)</u>
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:

	<u>2022</u>
	<i>RMB'000</i>
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

APPENDIX I

ACCOUNTANT'S REPORT

	<u>2022</u>
	<i>RMB'000</i>
Trade payables	(1,589)
Contract liabilities	(21,172)
Provision	(21)
lease liability	(2,336)
Accruals and other payables	(86,430)
Non-controlling interests	<u>6,846</u>
Total	<u>(22,784)</u>

An analysis of the net outflow of cash and bank balances in respect of the spin-off is as follows:

	<u>2022</u>
	<i>RMB'000</i>
Cash and bank balances spun off	<u>(225,094)</u>

39. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

2022

	<u>Bank loans</u>	<u>Lease liabilities</u>	<u>Dividend payable</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>–</u>	<u>10,448</u>	<u>961,182</u>	<u>971,630</u>
At 31 December 2022	<u>–</u>	<u>12,256</u>	<u>–</u>	<u>12,256</u>

2023

	<u>Lease liabilities</u>
	<i>RMB'000</i>
At 1 January 2023	12,256
Changes from financing cash flows	(20,034)
Interest expense	1,908
Settlement without payment	(6,635)
Addition	<u>61,874</u>
At 31 December 2023	<u>49,369</u>

APPENDIX I

ACCOUNTANT'S REPORT

2024

	<u>Bank loans</u>	<u>Lease liabilities</u>	<u>Dividend payable</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>22,523</u>	<u>60,725</u>	<u>–</u>	<u>83,248</u>

30 June 2024

	<u>Lease liabilities</u>
	<i>RMB'000</i>
At 1 January 2024.	49,369
Changes from financing cash flows	(14,152)
Interest expense	870
Settlement without payment	(4,575)
Addition	8,411
As at 30 June 2024	<u>39,923</u>

30 June 2025

	<u>Bank loans</u>	<u>Lease liabilities</u>	<u>[REDACTED] expense payable</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2025.	22,523	60,725	–	83,248
Changes from financing cash flows	51,657	(18,463)	(1,932)	31,262
Interest expense	701	1,068	–	1,769
Settlement without payment	–	(4,642)	–	(4,642)
Addition	–	249	5,344	5,593
As at 30 June 2025	<u>74,881</u>	<u>38,937</u>	<u>3,412</u>	<u>117,230</u>

(b) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	<u>Year ended 31 December</u>			<u>Six months ended 30 June</u>	
	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2024</u>	<u>2025</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within operating activities.	11,801	18,477	16,517	7,022	9,825
Within financing activities.	2,376	20,034	30,749	14,152	18,463
	<u>14,177</u>	<u>38,511</u>	<u>47,266</u>	<u>21,174</u>	<u>28,288</u>

APPENDIX I

ACCOUNTANT’S REPORT

40. CONTINGENT LIABILITIES

Pursuant to the agreement between the Company and Huiyin Financial Leasing Co., Ltd. (“Huiyin Leasing”), the Group has provided joint and several liability guarantees for all obligations under financial lease contracts entered into by lessees recommended by the Company, 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, 31 December 2024 and 30 June 2025 were RMB914,575,000, RMB1,254,051,000, RMB1,798,888,000 and RMB1,629,043,000, respectively. During the Relevant Periods, 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, 31 December 2024 and 30 June 2025.

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
Shandong Tongxin Zhixing’s subsidiary	Company controlled by Shandong Tongxin Zhixing
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			Six months ended 30 June	
	2022	2023	2024	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Sales of goods to related parties					
Shandong Heavy Industry and its subsidiaries	16	967	1,883	1,883	9,380
Weichai Group and its subsidiaries	140,192	70,325	70,935	48,003	25,541
Weichai Group’s associates	7	448	–	–	–
Weichai Power and its subsidiaries	126,323	166,271	208,114	81,390	154,438
Total	<u>266,538</u>	<u>238,011</u>	<u>280,932</u>	<u>131,276</u>	<u>189,359</u>

APPENDIX I

ACCOUNTANT’S REPORT

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Provision of services to related parties					
Shandong Heavy Industry and its subsidiaries	1,088	30	5	4	–
Weichai Group and its subsidiaries	1,493	1,810	1,083	897	67
Weichai Power and its subsidiaries	8,381	4,067	463	10	194
Total	<u>10,962</u>	<u>5,907</u>	<u>1,551</u>	<u>911</u>	<u>261</u>

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Purchases of goods from related parties					
Shandong Heavy Industry and its subsidiaries	4,593	7,476	7,376	3,649	2,776
Weichai Group and its subsidiaries	70,071	33,944	46,188	38,100	12,142
Weichai Power and its subsidiaries	1,265,468	2,382,721	2,629,989	1,453,746	1,278,505
The Group’s associates	1,583	–	–	–	–
Total	<u>1,341,715</u>	<u>2,424,141</u>	<u>2,683,553</u>	<u>1,495,495</u>	<u>1,293,423</u>

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Receipt of services from related parties					
Shandong Heavy Industry and its subsidiaries	51,815	1,113	6,217	2,106	656
Weichai Group and its subsidiaries	2,554	9,783	13,481	6,876	8,182
Weichai Group’s associates	–	37	–	–	–
Weichai Power and its subsidiaries	31,166	63,858	62,981	32,802	22,806
The Group’s associates	862	3,827	3,425	832	73
Total	<u>86,397</u>	<u>78,618</u>	<u>86,104</u>	<u>42,616</u>	<u>31,717</u>

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Rental income as lessor (i)					
Shandong Heavy Industry and its subsidiaries	–	5	10	–	12
Weichai Power Group and its subsidiaries	1,232	2,239	–	–	663
Total	<u>1,232</u>	<u>2,244</u>	<u>10</u>	<u>–</u>	<u>675</u>

APPENDIX I

ACCOUNTANT’S REPORT

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Rental expense as lessee (i)					
Shandong Heavy Industry and its subsidiaries	–	–	–	–	–
Weichai Group and its subsidiaries	18	233	9	–	–
Weichai Power Group and its subsidiaries	14,550	34,871	37,207	18,099	19,337
Shandong Tongxin Zhixing’s subsidiary . . .	–	1,093	826	823	647
The Group’s associates . . .	440	2	2,047	603	1,683
Total	<u>15,008</u>	<u>36,199</u>	<u>40,089</u>	<u>19,525</u>	<u>21,667</u>

(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			Six months ended 30 June	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
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	<u>613,980</u>	–	–	–	–
Repayment of fund lending by related parties					
Shandong Heavy Industry and its subsidiaries	486,197	–	–	–	–
Weichai Group and its subsidiaries	1,989,847	–	–	–	–
Total	<u>2,476,044</u>	–	–	–	–
Interest income from fund lending to related parties					
Shandong Heavy Industry and its subsidiaries	6,186	–	–	–	–
Weichai Group and its subsidiaries	15,652	–	–	–	–
Total	<u>21,838</u>	–	–	–	–

APPENDIX I

ACCOUNTANT’S REPORT

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Entrusted loan to a related party					
Weichai Group and its subsidiaries	<u>160,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Repayment of entrusted loan by a related party					
Weichai Group and its subsidiaries	<u>651,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Interest income from entrusted loan to a related party					
Weichai Group and its subsidiaries	<u>8,527</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Purchases property, plant and equipment of from related parties					
Shandong Heavy Industry and its subsidiaries	–	93	868	115	123
Weichai Group and its subsidiaries	75,072	328	142	142	442
Weichai Power Group and its subsidiaries	<u>6,546</u>	<u>23,544</u>	<u>19,977</u>	<u>5,887</u>	<u>6,166</u>
Total	<u>81,618</u>	<u>23,965</u>	<u>20,987</u>	<u>6,144</u>	<u>6,731</u>
Sales of property, plant and equipment to related parties					
Weichai Group and its subsidiaries	<u>522,885</u>	<u>184</u>	<u>8</u>	<u>–</u>	<u>252</u>

The Group had the following material transactions with Shandong Heavy Industry Finance Co. during the Relevant Periods:

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Establishment of bank acceptance bills	1,137,510	929,319	1,557,730	1,213,190	648,290
Bank deposit placed.	1,690,832	1,379,635	1,544,586	1,341,339	1,001,514
Interest income.	39,726	14,843	24,425	20,099	24,708
Interest expenses	812	–	8	–	651
New interest-bearing borrowings	–	–	22,523	–	52,358
Repayment of borrowings	<u>100,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

APPENDIX I

ACCOUNTANT’S REPORT

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			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Trade related:				
Trade and bills receivables				
Shandong Heavy Industry and its subsidiaries	–	335	396	9,768
Weichai Group and its subsidiaries	46,763	35,464	17,697	19,719
Weichai Power and its subsidiaries	137,994	66,486	61,306	92,858
	184,757	102,285	79,399	122,345
Less: Impairment allowance	(31,139)	(27,205)	(25,598)	(10,265)
Total	153,618	75,080	53,801	112,080
Non-trade related:				
Prepayments, other receivables and other assets				
Shandong Heavy Industry and its subsidiaries	–	689	–	–
Weichai Group and its subsidiaries	12,230	–	–	–
Weichai Power and its subsidiaries	623,507	622,844	704,254	623,054
Shandong Tongxin Zhixing’s subsidiary	–	40	40	40
	635,737	623,573	704,294	623,094
Less: Impairment allowance	(622,715)	(622,715)	(622,717)	(622,717)
Total	13,022	858	81,577	377
Trade related:				
Trade and bills payables				
Shandong Heavy Industry and its subsidiaries	8,280	7,640	9,621	10,707
Weichai Group and its subsidiaries	9,044	25,131	48,585	14,361
Weichai Power and its subsidiaries	1,000,684	439,294	1,325,141	993,340
The Group’s associates	3,052	2	–	–
Total	1,021,060	472,067	1,383,347	1,018,408
Contract liabilities				
Shandong Heavy Industry and its subsidiaries	90	–	–	–
Weichai Group and its subsidiaries	44	–	–	–
Weichai Power and its subsidiaries	55	–	–	–
Total	189	–	–	–
Non-trade related:				
Other payables and accruals				
Shandong Heavy Industry and its subsidiaries	47	–	–	1,827
Weichai Group and its subsidiaries	448	–	–	–
Weichai Power and its subsidiaries	–	6,177	–	6,434
Total	495	6,177	–	8,261

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.

APPENDIX I

ACCOUNTANT’S REPORT

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 amount 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 partial 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 fulfil 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. Weichai Group and Weichai Power have reached a settlement agreement with Arbos Technology that Weichai Group and Weichai Power shall settle all outstanding amount for the VAT Credit Compensation before 31 July 2025 and such amount has been fully settled as of now. The Guarantee Arrangement is therefore terminated.

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, 2024 and six months ended 30 June 2024 and 2025, the repayment amounts received by the Group under this business model were RMB1,570,287,000, RMB1,658,914,000, RMB2,678,376,000, RMB1,521,632,000 and RMB1,054,203,000, 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 totalling 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 bills receivable amounting to RMB800,000 to Wuxing Vehicles. As of 31 December 2023, 2024 and six months ended 30 June 2025, 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 Shandong Tongxin Zhixing. 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.

Lovol Construction Machinery Group Co., Ltd was originally a wholly-owned subsidiary of the Company and was transferred out on 27 December 2021. To maintain the continuity of its operation after the transaction, as of 30 June 2025, the Company has granted royalty-free use of the Lovol loader and excavator series trademarks for its existing excavator and loader products; Commencing 1 May 2023, the Company has licensed the Lovol special vehicle series trademarks for its newly added special vehicle products on a royalty-bearing basis; Heilongjiang Weichai Lovol Beidahuang Agricultural Equipment Co., Ltd was originally a subsidiary of the Company and was spun off on 31 August 2022. To maintain the continuity of its operation after the spin-off, from the date of the 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.

APPENDIX I

ACCOUNTANT'S REPORT

(e) Compensation of key management personnel of the Group

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, allowances and benefits in kind	4,361	3,454	4,489	2,359	2,746
Performance related bonuses	4,331	2,908	4,642	2,252	2,064
Pension scheme contributions	699	647	833	399	435
Total	<u>9,391</u>	<u>7,009</u>	<u>9,964</u>	<u>5,010</u>	<u>5,245</u>

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		Financial assets at amortised cost	Total
	Debt investments	Equity investments		
	<i>RMB'000</i>	<i>RMB'000</i>		
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	<u>47,236</u>	<u>3,765</u>	<u>7,329,467</u>	<u>7,380,468</u>

APPENDIX I

ACCOUNTANT'S REPORT

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	<u>940,250</u>	<u>29,839</u>	<u>3,117</u>	<u>6,856,815</u>	<u>7,830,021</u>

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 receivable	–	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	<u>1,092,068</u>	<u>21,784</u>	<u>3,595</u>	<u>10,623,933</u>	<u>11,741,380</u>

APPENDIX I

ACCOUNTANT'S REPORT

As at 30 June 2025

	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		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Equity investments designated at fair value through other comprehensive income . . .	–	–	3,688	–	3,688
Financial assets at fair value through profit and loss	2,208,691	–	–	–	2,208,691
Trade and bills receivables	–	–	–	2,818,332	2,818,332
Bills receivable	–	7,991	–	–	7,991
Financial assets included in prepayments, other receivables and other receivables	–	–	–	47,593	47,593
Long-term time deposits . .	–	–	–	948,655	948,655
Current portion of long- term time deposits	–	–	–	86,352	86,352
Cash and cash balances . . .	–	–	–	4,218,594	4,218,594
Restricted deposits	–	–	–	1,030,082	1,030,082
Total	<u>2,208,691</u>	<u>7,991</u>	<u>3,688</u>	<u>9,149,608</u>	<u>11,369,978</u>

Financial liabilities

2022

	Financial liabilities at amortised cost
	<i>RMB'000</i>
Trade and bills payables	6,968,064
Financial liabilities included in other payables and accruals	977,522
Total	<u>7,945,586</u>

2023

	Financial liabilities at amortised cost
	<i>RMB'000</i>
Trade and bills payables	8,124,608
Financial liabilities included in other payables and accruals	861,167
Total	<u>8,985,775</u>

APPENDIX I

ACCOUNTANT'S REPORT

2024

	Financial liabilities at amortised cost
	<i>RMB'000</i>
Trade and bills payables	12,368,715
Financial liabilities included in other payables and accruals	946,276
Interest-bearing bank borrowings.	22,523
Total	<u>13,337,514</u>

As at 30 June 2025

	Financial liabilities at amortised cost
	<i>RMB'000</i>
Trade and bills payables	11,245,091
Financial liabilities included in other payables and accruals	1,593,704
Interest-bearing bank borrowings.	74,881
Total	<u>12,913,676</u>

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.

APPENDIX I

ACCOUNTANT’S REPORT

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

APPENDIX I

ACCOUNTANT’S REPORT

As at 30 June 2025

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	0.39	5% increase/(decrease) in multiple would result in increase/decrease in fair value by RMB188,000
		Discount for lack of marketability*	11.2%	5% increase/(decrease) in multiple would result in decrease/increase in fair value by RMB24,000

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

APPENDIX I

ACCOUNTANT’S REPORT

As at 31 December 2024

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
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

As at 30 June 2025

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Financial assets at fair value through profit or loss	–	2,208,691	–	2,208,691
Bills receivable	–	7,991	–	7,991
Equity investments at fair value through other comprehensive income	–	–	3,688	3,688
Total	–	2,216,682	3,688	2,220,370

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 and EUR 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).

APPENDIX I

ACCOUNTANT’S REPORT

	Increase/(decrease) in rate of foreign currency	Increase/(decrease) in profit before tax	Increase/(decrease) in equity
	%	RMB’000	RMB’000
30 June 2025			
If RMB weakens against USD	5	49,904	42,418
If RMB strengthens against USD	(5)	(49,904)	(42,418)
If RMB weakens against EUR	5	7,059	6,000
If RMB strengthens against EUR	(5)	(7,059)	(6,000)
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		Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	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	<u>6,747,424</u>	<u>–</u>	<u>738,760</u>	<u>1,104,384</u>	<u>8,590,568</u>

APPENDIX I

ACCOUNTANT’S REPORT

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	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	<u>6,452,682</u>	–	<u>738,969</u>	<u>878,895</u>	<u>8,070,546</u>

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	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	<u>10,101,984</u>	–	<u>737,947</u>	<u>631,566</u>	<u>11,471,497</u>

APPENDIX I

ACCOUNTANT’S REPORT

As at 30 June 2025

	12-month ECLs		Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	
Trade and bills receivables* . . .	–	–	–	2,951,207	2,951,207
Financial assets included in prepayments, other receivables and other assets					
– Normal**	48,707	–	–	–	48,707
– Doubtful**	–	–	737,954	–	737,954
Long-term time deposits					
– Not yet past due	948,655	–	–	–	948,655
Current portion of long-term time deposits					
– Not yet past due	86,352	–	–	–	86,352
Restricted deposits					
– Not yet past due	1,030,082	–	–	–	1,030,082
Cash and bank balances					
– Not yet past due	4,218,594	–	–	–	4,218,594
Total	6,332,390	–	737,954	2,951,207	10,021,551

* 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

APPENDIX I

ACCOUNTANT’S REPORT

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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>10,080,942</u>	<u>193,958</u>	<u>17,434</u>	<u>5</u>	<u>10,292,339</u>

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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>14,847,480</u>	<u>332,630</u>	<u>18,923</u>	<u>1,310</u>	<u>15,200,343</u>

As at 30 June 2025

	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 5 years	Over 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills payables	11,245,091	–	–	–	11,245,091
Lease liabilities	27,906	5,830	5,883	949	40,568
Financial liabilities included in other payables and accruals	1,593,704	–	–	–	1,593,704
Interest-bearing bank and other borrowings	75,814	–	–	–	75,814
Guarantees given to Huiyin Leasing in connection with financial lease contracts entered into by lessees and Huiyin Leasing	1,344,642	265,048	19,353	–	1,629,043
Total	<u>14,287,157</u>	<u>270,878</u>	<u>25,236</u>	<u>949</u>	<u>14,584,220</u>

APPENDIX I

ACCOUNTANT’S REPORT

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			Six months ended 30 June
	2022	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Total debt	10,438,316	12,122,375	15,390,979	14,373,516
Total assets	12,515,749	15,070,843	19,182,365	18,545,342
Gearing ratio	83.40%	80.44%	80.24%	77.50%

45. EVENTS AFTER THE RELEVANT PERIODS

No events occurred after the Relevant Periods.

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 30 June 2025.