
BUSINESS

OVERVIEW

Our Mission

Our mission is to enable the next generation of off-highway machinery through precision-engineered, locally-manufactured driveline solutions with high performance and reliability for China and the global market. Through innovation, uncompromising quality and strong local partnerships, we create long-term value and contribute to a sustainable industrial future.

Who We Are

We are a China-based Tier-1 manufacturer of precision-engineered and assembled axles, transmissions, and integrated driveline solutions for off-highway construction equipment and agricultural machinery, supplying mission-critical systems that support performance, efficiency, durability, and safety. As a Tier-1 supplier, we deliver our products directly to manufacturers of off-highway machinery and equipment.

Established in China in 2004, we operate an integrated manufacturing facility in Qingdao with local engineering and manufacturing capabilities. We have built long-standing partnerships with leading manufacturers in the construction equipment and agricultural machinery markets. Our customers deploy our products across multiple platforms for both domestic and international markets.

According to F&S, in 2025, based on revenue, we ranked first among all backhoe loader driveline manufacturers in China, second among all MEWP power transmission systems and machinery manufacturers in China and third among all 200 HP or above tractor (“**heavy duty tractor**”) driveline manufacturers in China.

We are a subsidiary of the Carraro Group, an industrial group headquartered in Italy with nearly 100 years of experience in the design and manufacture of off-highway driveline systems.

Our Business Model

We operate a business-to-business model centered on in-depth application analysis. In close collaboration with our China-based customers, we develop and manufacture optimized driveline configurations tailored to specific application requirements and deliver integrated solutions across the value chain, from engineering services through vehicle integration. We engage with our China-based customers throughout the product lifecycle, including initial model development, validation and qualification, serial production, and ongoing lifecycle supply. Leveraging our localized manufacturing platform in China and a short, efficient supply chain, we deliver high-quality performance solutions with speed, reliability and flexibility.

We operate under two complementary sales models:

1. **Direct Sales:** We sell directly to manufacturers of construction equipment and agricultural machinery primarily in China, including leading domestic manufacturers.
2. **Sales to the Carraro Group:** When the Carraro Group and its customers mutually determine that the customers would be best served by having products manufactured by us, we determine, based on economic factors and manufacturing capacity, whether to manufacture such products. In addition, we manufacture certain components for entities within the Carraro Group, including machined parts and replacement components. For further information, please see “— Sales, Distribution and Marketing — Sales to the Carraro Group” and “Relationship with Our Controlling Shareholders”.

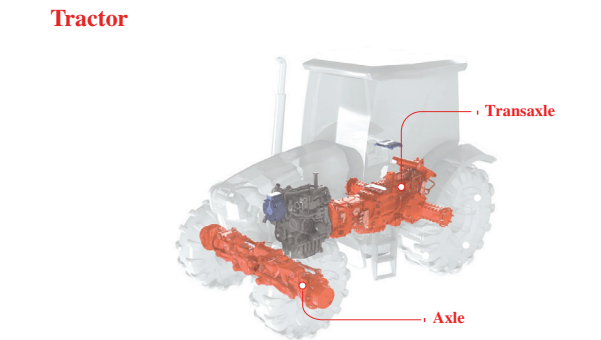
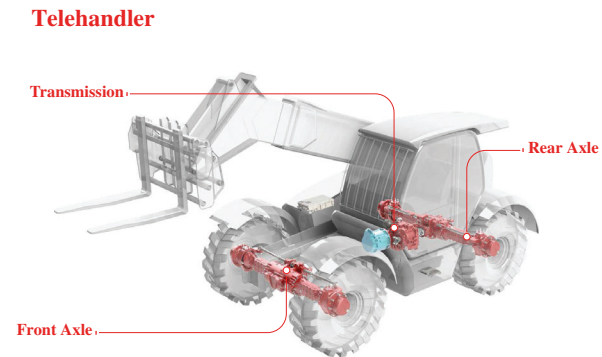
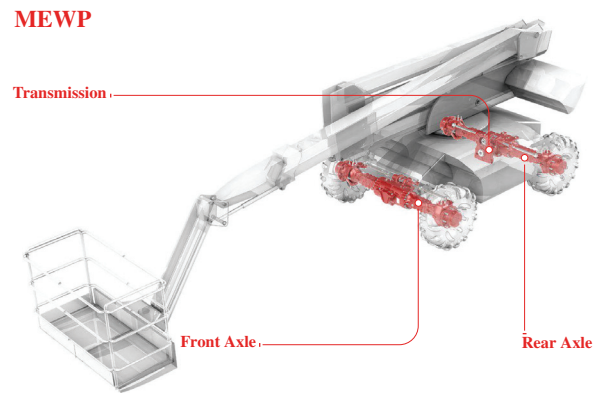
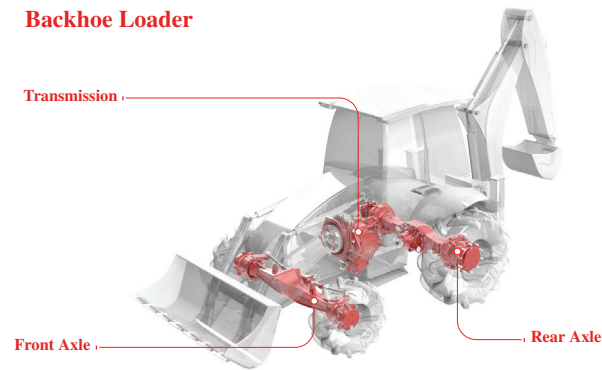
BUSINESS

The table below sets forth our revenue breakdown by sales model for the periods indicated:

	For the year ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	<i>% of total revenues</i>	<i>RMB'000</i>	<i>% of total revenues</i>	<i>RMB'000</i>	<i>% of total revenues</i>
Direct sales	462,565	62.8	649,400	74.6	644,776	73.7
Sales to the Carraro Group	273,514	37.2	220,756	25.4	229,655	26.3
Total	736,079	100.0	870,156	100.0	874,431	100.0

Our Products

Our principal products include axles and transmissions. The graphics below illustrate how these products are integrated into backhoe loaders, telehandlers, MEWPs and tractors.



BUSINESS

Application Markets and Applications

The table below sets forth the key application markets and applications we serve.

Application Markets	Applications
Construction Equipment	<ul style="list-style-type: none">• Backhoe loaders• Telehandlers• MEWPs• Compact wheel loaders• Soil compactors• Wheeled excavators
Agricultural Machinery	<ul style="list-style-type: none">• Tractors• Harvesters
Mixed Applications	<ul style="list-style-type: none">• Towing vehicles
Material Handling	<ul style="list-style-type: none">• Forklifts

Our Market Opportunities

Demand for off-highway driveline systems is supported by expanding applications in construction equipment, increasing efficiency requirements, and the accelerating transition toward electrification. According to F&S, the global construction machinery market is expected to grow at a CAGR of 5.1% from 2026 to 2030, with China significantly outpacing this at 18.6% for the corresponding period, driven by digitalization, automation, and China’s strengthening position as a global manufacturing hub. Demand is further underpinned by robust growth in both construction driveline systems (driven by large-scale national projects in transportation, energy, and new urbanization) and agricultural driveline systems (driven by ongoing modernization and policy support for mechanization).

In addition, according to F&S, as China-based manufacturers expand their international footprint, component suppliers with established partnerships benefit from this export growth, with dual exposure to both domestic expansion and internationalization trends.

Our expertise in localization enables rapid adaptation of proven global technologies to meet specific customer requirements, while our highly competitive manufacturing operations deliver the technologically-advanced, high performance products necessary to capture growing demand across the application markets we serve.

OUR COMPETITIVE STRENGTHS

Leading supplier of integrated driveline systems with long-standing relationships with premier manufacturers of off-highway equipment and machinery in China.

Our customers use our products in off-highway equipment and machinery they sell domestically and abroad. Our products are technology-intensive and mission-critical to vehicle and equipment performance, efficiency, durability and safety.

With over 20 years of operating history in China, we have developed a deep understanding of local market dynamics, and the requirements and application-specific insights of our customers. This insight, together with our product portfolio, commitment to quality, and integrated local manufacturing and supply chain capabilities, enables us to respond to market changes with agility.

BUSINESS

Our customized and mission-critical products support long-term collaborative relationships with our customers. We engage closely with customers throughout over multiple product lifecycles, from initial model development to serial production and after-sales support.

Our relationships with customers typically last the life of an equipment or machinery program, reflecting the significant time and investment required to introduce new models, including design, development, and validation. These long-term relationships provide greater business stability.

According to F&S, in 2025, based on revenue, we ranked first among all backhoe loader driveline manufacturers in China, second among all MEWP power transmission systems and machinery manufacturers in China and third among all heavy duty tractor driveline manufacturers in China.

Our leading market position, deep market understanding and strong local customer relationships position us to capitalize on growth opportunities in China, where the continued expansion of the construction equipment and agricultural application markets is driven by mechanization, equipment replacement and infrastructure development. We believe that our system-level capabilities, diversified product offering and long-standing customer relationships position us to continue to benefit from this industry expansion. In addition, as our China customers increasingly pursue international sales, we are positioned to benefit from their export growth through our established relationships and the Carraro reputation.

Comprehensive product offerings covering diverse off-highway applications

We offer a comprehensive portfolio of high-quality products that form the entire driveline. Our products are vital to the overall vehicle performance, efficiency and durability.

Our customers integrate our products into a broad range of off-highway equipment and machinery. In construction equipment, our products are used in backhoe loaders, compact wheel loaders, wheeled excavators, telehandlers, MEWPs and soil compactors. In this application market, we focus on compact and mid-size applications, where customers prioritize performance, reliability and operational efficiency. In agricultural machinery, our products are used in harvesters and tractors. In this application market, we focus on heavy duty tractors, which are subject to more stringent quality control, performance, reliability and efficiency requirements. Our diversified product portfolio reduces our reliance on any single end market, enabling us to capture growth opportunities and mitigate cyclical fluctuations.

Our products are recognized for their superior performance and reliability. For example, our axle range includes front and rear assemblies designed for durability, load-bearing capacity and seamless platform integration through embedded steering and braking interfaces, while our transmissions feature multi-stage gear arrangements and robust housings engineered for heavy duty cycles. As many applications use our drivelines impose stringent demands on precision engineering and manufacturing, all of our axles and transmissions are designed and manufactured for extreme durability, with exacting tolerances. In addition, we support our products with a suite of value-added services, including aftermarket support, on-site technical assistance and an international replacement components network.

Our broad product range, technological capabilities and ongoing efforts to upgrade and adapt our products position us as a preferred one-stop partner for our customers, from individual products to integrated solutions.

BUSINESS

Competitive manufacturing operations supported by a localized supply chain

Our manufacturing operations deliver efficient, reliable and quality-controlled production, enabling us to respond quickly to changing market demand and to achieve economies of scale. These capabilities are supported by our relationship with the Carraro Group, which provides access to shared services and common high-quality standards. See “— Our relationship with Carraro Group provides strategic advantages across brand reputation, technology, engineering, market access, and supply chain” below.

As of the Latest Practicable Date, we own and operate an integrated manufacturing facility in Qingdao, Shandong, with a gross floor area of 28,749 square meters, that houses our production lines, warehousing, engineering and offices in one integrated facility. The facility is equipped for end-to-end production, from machining, assembly and painting to testing and digital warehousing. We have progressively expanded our machining and assembly capabilities to increase throughput and process reliability.

Our manufacturing operations, together with our culture of continuous improvement and process reliability, support our pursuit of operational excellence. We integrate stringent quality controls at each critical stage of the manufacturing process, conduct end-of-line testing to confirm compliance with technical specifications, and utilize digital systems for comprehensive process traceability and inventory monitoring. Our manufacturing facility holds internationally recognized certifications, including ISO 9001 (quality), ISO 14001 (environment), ISO 50001 (energy), ISO 45001 (occupational health and safety) and ISO 45003 (psychological health and safety at work). We are also certified as an Authorized Economic Operator (AEO) for customs compliance and supply-chain security, which facilitates efficient customs clearance and logistics to support on-time delivery.

Our manufacturing operations are supported by a highly localized supply chain. Domestic sources accounted for 84.1% of our total purchases of goods and materials in 2025. By sourcing the majority of materials and components locally, we are able to secure stable supplies at competitive prices, shorten lead times and enhance supply-chain resilience, which mitigates exposure to global supply volatility and supports margin stability.

Strong application engineering and product development capabilities supporting customization and expansion into new market opportunities

We are able to leverage deep knowledge of the local market to identify customer needs and requirements and, together with our application engineering function, develop customized products for multi-year platform programs that progressively expand our offering into new applications and market segments. Over the past five years, this development roadmap has supported the launch of 30 new products, contributing to revenue growth and enhancing our market presence across the construction equipment and agricultural machinery application markets. These products include both premium and cost-optimized variants, enabling us to address diverse customer requirements while expanding sales into medium and light-duty construction equipment, compact applications, and electrification-ready platforms.

Our engineering and product development capabilities have been instrumental in enabling our entry into high-growth market segments. For example, our China-based engineering and product development team collaborated with the Carraro Group’s engineering facilities to design an entirely new application platform for MEWPs. In a rapid development cycle, this project progressed from definition in June 2021 to serial production in November 2021, demonstrating agility and technical depth that enable us to respond swiftly to emerging market opportunities and deliver tailored solutions for our customers. Within four years of entering this market, we ranked second by revenue in China among MEWP power transmission systems and machinery manufacturers in 2025, according to F&S.

Experienced and knowledgeable management team

Our management team has extensive experience in off-highway driveline manufacturing, together with a strong understanding of the requirements of Chinese customers. Mr. Wang Xiangjin, our General Manager and Executive Director, has led us since our inception and brings more than two decades of industry experience to his role. Most of our broader management team has been with us since our establishment, and has on average nearly 20 years of relevant industry experience, reflecting strong technical expertise, market knowledge and leadership capabilities. Supported by continuous training and

BUSINESS

targeted upskilling initiatives, including collaborations with academic institutions, we focus on developing future leaders and maintaining organizational resilience in an evolving industry. For further information, see “Directors and Senior Management”.

Anchored by a corporate culture that emphasizes customer focus, discipline, safety, integrity and accountability, we support stable operations and the development of long-term partnerships. We have been recognized for our workplace practices, having received awards from leading Chinese human resources providers, such as Mercer and 51Job, for employer excellence and strong social responsibility. We believe that our experienced leadership, sound governance practices and strong corporate culture provide a resilient foundation for competing effectively in the off-highway driveline industry.

Our relationship with the Carraro Group provides strategic advantages across brand reputation, technology, engineering, market access, and supply chain

As a part of the Carraro Group, a global industrial group with a long operating history in driveline systems for construction equipment and agricultural machinery, we are part of an international industrial ecosystem. This relationship provides us with access to a globally recognized brand, advanced technology, robust standards and guidelines and engineering capabilities, as well as international customer opportunities and a diversified global supply chain. It also enables us to combine global experience with deep local market understanding to serve Chinese and international customers effectively.

- *The Carraro reputation enhances credibility through its history and global reputation.* We benefit from the long-established reputation of Carraro, together with the Carraro Group’s technology, is widely associated with high quality, reliability and performance in the global construction equipment and agricultural machinery markets.
- *Access to the Carraro Group’s technology and engineering excellence enables global-local product development.* Our relationship with the Carraro Group facilitates a two-way exchange of advanced engineering expertise and technologies. Our local engineering teams collaborate closely with the Carraro Group’s global engineering resources to deliver application-specific solutions tailored to the operating conditions and performance expectations of our China customers. As an example, see “— Strong application engineering and product development capabilities supporting customization and expansion into new market opportunities” above.
- *Indirect access to the global market through collaboration within the Carraro Group.* Our relationship with the Carraro Group also provides indirect access to customer opportunities through our sales to the Carraro Group. See “— Sales, Distribution and Marketing” below.
- *Access to the Carraro Group’s global supply chain enhances cost efficiency and resilience.* While we primarily rely on local suppliers, we benefit from the Carraro Group’s global supply chain network and long-standing supplier relationships. Moreover, the scale of the Carraro Group’s global procurement provides us the purchasing leverage that can contribute to competitive input costs, while the reputation of the Carraro Group enhances our attractiveness to suppliers that seek long-term cooperation.

OUR STRATEGIES

Deepen market penetration and strengthen our market leadership in China

According to F&S, China’s construction machinery market is forecast to achieve a CAGR of 18.6% from 2026 to 2030, significantly outpacing global growth rates, while China’s agricultural machinery market is expected to grow at a CAGR of 10.4% over the same period.

We focus on enhancing market penetration and reinforcing our leadership position in China’s off-highway driveline sector. We intend to achieve this by developing innovative products for, and strengthening collaborative engagement with, existing and prospective customers.

- *Construction equipment:* We are well positioned to capitalize on this growing demand. Historically, the Chinese construction equipment market has been dominated by heavy machinery. However, following extensive infrastructure development across China, the market has increasingly shifted toward a maintenance-driven phase, characterized by more fragmented

BUSINESS

job sites and diverse project requirements. As demand shifts, suppliers capable of delivering precision-engineered components across multiple channels and varied duty cycles have become increasingly essential in the off-highway driveline industry. This is driving rising demand for light and compact construction equipment, a segment for which our axles and transmissions are well suited.

Within the medium to light construction equipment segment, our priorities are to expand our leadership in backhoe loaders, broaden our product offerings for MEWPs, telehandlers, wheeled excavators, wheel loaders, and the soil compactor market. We intend to continue engaging with customers at an early stage of their product development processes to support new model launches and platform upgrades through localized configurations.

- *Agricultural machinery:* We are capitalizing on growing demand for high-end, high-HP (100 HP or above) tractors, driven by a declining agricultural workforce and the increasing scale of farming operations in rural China. These market dynamics favor tractors with automatic transmissions that offer greater efficiency, reliability and operator comfort, as well as a lower total cost of ownership — attributes that our driveline products are engineered to deliver. We intend to solidify our leadership in heavy duty tractors and enter the market for smaller tractor segments, including high-HP paddy field tractors.

To address demand for higher operating speeds and enhanced operator comfort, we plan to localize suspension axles developed by the Carraro Group for tractors operating at speeds of 40 kilometers per hour and above, which improve efficiency and comfort.

We intend to pursue long-term framework agreements with our key customers. Our markets are characterized by long product development and investment cycles, and by aligning our commercial arrangements with these cycles, we are able to synchronize our collaboration with customers more closely with their own product lifecycle planning, from initial concept and platform design through to production ramp-up and aftermarket support.

Expand international exposure through our relationships with our customers with international presence and the Carraro Group

- *Expand our international sales portfolio.* We plan to grow sales to customers with international operations, including China-based customers establishing manufacturing facilities overseas and international customers served through the Carraro Group. Leveraging our strong track record in China and the Carraro Group’s global brand recognition, we are well positioned to support our customers’ international expansion. Our China-based engineering team’s excellence in localization enables rapid adaptation of proven global technologies to meet specific market requirements, positioning us to serve international customers seeking high-quality, cost-competitive driveline solutions.
- *Develop products specifically suited for export markets.* Through our planned R&D center of excellence, we intend to expand our product portfolio to include variants specifically designed for international markets, taking into account differing regulatory requirements, operating conditions, and customer preferences. For example, we intend to commence industrialization of suspension axles for export markets. We are also collaborating with the Carraro Group to develop a small wheel loader driveline for one of its global customers.

See “— Enhance engineering and product development capabilities to adapt and extend product platforms” below.

BUSINESS

Enhance engineering and product development capabilities to adapt and extend product platforms

We intend to enhance our engineering and product development capabilities in China to support product localization, customization and targeted platform extensions. Consistent with the Carraro Group's system-engineering approach, our development roadmap includes supporting customer-led initiatives for both hydrostatic and electrified driveline solutions.

Recognizing that the off-highway driveline industry is being reshaped by powerful trends towards digitalization, automation and electrification, we intend to establish a R&D center of excellence in China. This will include investment in dedicated test bench infrastructure and related facilities to support the development, testing and validation of electrical and hydrostatic driveline solutions and integrated driveline systems.

China benefits from a highly developed technology ecosystem particularly in electrification technologies, making it an attractive location for this initiative. Our R&D center of excellence is intended to leverage local engineering capabilities and technology ecosystems to develop solutions tailored to the Chinese market and, where appropriate, for broader global applications. Core research and development activities — including design, engineering, prototyping, testing, validation and software development — are expected to be conducted through this center, positioning Carraro China at the forefront of this technological evolution.

Strengthen manufacturing capabilities

We intend to strengthen our manufacturing capabilities through a series of investments aimed at enhancing operational efficiency, process consistency and delivery performance across our operations.

- *Capacity expansion.* We intend to expand our production capacity to support anticipated growth in both domestic and international demand. This encompasses additional production lines and manufacturing equipment and supporting infrastructure, including an expanded warehouse facility to accommodate increased inventory, enlarged employee amenities such as canteen and wellness facilities to support a growing workforce, expanded production-related headcount including direct production workers and indirect plant-level support personnel across core manufacturing, logistics, warehouse and quality control functions, and upgraded logistics areas to improve material handling and dispatch efficiency. These investments are expected to increase our installed production capacity, enable us to accommodate higher order volumes, and position us to capitalize on growth opportunities.
- *Equipment and process enhancements.* We plan to upgrade our advanced CNC machining cells supported by flexible manufacturing systems, implement in-line monitoring for parts washing processes, and enhance our assembly lines through the deployment of smart sub-stations and end-of-line testing systems. These initiatives are intended to increase production throughput, improve overall equipment effectiveness and ensure consistent, verifiable quality across all stages of production. In addition, we intend to continue investing in environmental, health and safety initiatives in line with the growth of our operations, to strengthen process control and support compliance with applicable EHS standards.
- *Intelligent manufacturing.* We intend to introduce robotics for machining and painting operations, supported by AI-based trajectory optimization, and to adopt electric fastening systems to ensure precise and consistent torque application. In addition, we plan to implement an automated storage and retrieval system integrated with a fleet of AGVs. These AGVs are expected to manage material flows on an end-to-end basis, from inbound receiving and warehouse storage to line-side feeding and outbound handling, enhancing inventory accuracy, precision and workplace safety while reducing process variability.
- *Quality enhancement and control.* We are strengthening our quality control infrastructure under a "zero-defect" framework through the installation of advanced component inspection systems and quality gates equipped with vision technologies and mistake-proofing devices. These measures are intended to enhance early-stage detection of non-conformities, reduce rework and scrap, and ensure rigorous adherence to customer specifications.

BUSINESS

- *Operational and support function headcount.* In line with our planned capacity expansion, we intend to expand our headcount in business-critical operational and support functions, including engineers, analysts and management roles across plant operations management, supply chain management, sales support, customer service and other supporting functions.

Pursue strategic partnerships and acquisition opportunities aligned with our core capabilities

We intend to evaluate strategic partnerships, investments and acquisitions that complement our existing business, enhance our capabilities and strengthen our competitive position. Our focus will be on opportunities that reinforce our market position and manufacturing, engineering and supply chain capabilities, with a primary focus on supporting our supply chain integration strategy. In particular, we intend to assess opportunities involving foundries and suppliers of critical raw materials, key components and other upstream or adjacent businesses relevant to our operations, for vertical integration, streamlining raw material sourcing, reducing reliance on third-party suppliers and securing reliable access to mission-critical inputs. In particular, we will target opportunities that advance our technology capabilities — especially in electronics, software and AI-enabled solutions — where Chinese suppliers and partners possess significant expertise. For selected inputs, such as castings and gears, we may explore joint-venture arrangements that reduce raw material costs without requiring significant fixed-asset investment.

OUR PRODUCTS

We manufacture and sell a diverse range of precision engineered and assembled axles, transmissions and other driveline components and parts. We are also an integrated system provider, delivering complete driveline solutions that together comprise the full driveline of a vehicle.

Our products are utilized across four primary application markets: (i) construction equipment, including backhoe loaders, MEWPs, telehandlers, wheeled excavators, soil compactors and compact wheel loaders; (ii) agricultural machinery, such as tractors, cotton pickers and other harvesting machines; (iii) mixed applications, such as towing vehicles; and (iv) material handling, such as forklifts.

The following table sets forth our total revenues breakdown by product type, services and other revenues both in absolute amount and as a percentage of our total revenues for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	% of total revenues	RMB'000	% of total revenues	RMB'000	% of total revenues
Axles	595,928	81.0	755,988	86.9	770,494	88.1
Transmissions	74,489	10.1	67,228	7.7	54,734	6.3
Components	60,824	8.3	37,069	4.3	46,765	5.3
Revenue from products:	731,241	99.4	860,285	98.9	871,993	99.7
Services	4,557	0.6	9,699	1.1	1,973	0.2
Other revenues	281	0.0	172	0.0	465	0.1
Total	736,079	100.0	870,156	100.0	874,431	100.0

The following table sets forth our total revenues breakdown by application market both in absolute amount and as a percentage of our total revenues for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	% of total revenues	RMB'000	% of total revenues	RMB'000	% of total revenues
Construction equipment . .	376,539	51.2	567,906	65.3	606,691	69.4
Agricultural machinery . .	270,709	36.8	241,955	27.8	220,185	25.2
Mixed applications ⁽¹⁾	47,392	6.4	34,533	4.0	32,064	3.6
Material handling ⁽²⁾	41,439	5.6	25,762	2.9	15,491	1.8
Total	736,079	100.0	870,156	100.0	874,431	100.0

BUSINESS

Notes:

- (1) Includes axles and transmissions used in towing vehicles and other applications, and driveline components.
- (2) Includes logistics, warehousing and distribution applications such as forklifts.

During the Track Record Period, we expanded our product mix and entered new market segments. We increased sales of axles and transmissions for telehandlers, broadened our MEWP product range to include those used in articulated boomlifts and began supplying axles for four-wheel steering backhoe loaders.

Our products carry a wide range of prices, as our axles and transmissions are highly customized and priced based on product complexity, customer-specific requirements and other factors such as order volume. Notwithstanding such product-level variability, we maintained consistent pricing policies throughout the Track Record Period, and did not experience any material fluctuations in overall product pricing.

Axles

Axles are mechanical components that connect the wheels to the chassis and the driveline of the vehicle, bearing the weight of the vehicle and cargo and deliver power from the engine and transmission to the wheels.

We offer a wide range of front and rear axles including steering axles and rigid axles, which are designed for durability, load-bearing performance and integration with steering and braking systems. Our axles are mainly used in construction equipment, agricultural machinery, mixed applications (including towing vehicles) and material handling vehicles.

Transmissions

Transmissions are mechanical systems that transfer power generated by the engine to the axles. A transmission allows the operator to select different gear ratios, ensuring sufficient traction and the proper speed for machining operations. In some cases, transmissions also enable the machine to move in both forward and reverse directions.

Transaxles integrate the transmission and axle functions into a single, compact assembly. Rather than having a separate transmission connected by a driveshaft to a separate axle, a transaxle combines the transmission, a differential (which allows wheels to rotate at different speeds during turns), and the axle into one unit. This compact design is commonly used in tractors and forklifts, where it reduces weight, saves space, simplifies installation and in some cases, allows for integration of additional functions such as rear hydraulic hitches in forklifts.

Our broad transmission portfolio includes a range of construction equipment transmissions spanning multiple segments, agricultural and material handling transaxles and gearboxes for combine harvesters. These transmissions are engineered for durability and reliable performance in demanding conditions, featuring full electronic control, smooth and precise response, and optimized gear design for quiet operation.



Key Applications for our Products

Construction Equipment

Our construction equipment axles include steering axles and rigid axles. Our axles are highly customized to meet customer specifications, with variations in gear configurations that determine how power from the engine or motor is transmitted to the wheels (thereby affecting vehicle speed and pulling strength), widths to accommodate various vehicle sizes, and connection points designed to fit different vehicle designs.


BUSINESS

The following table sets forth our key construction equipment axles:


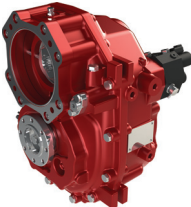
Products	Description	Main Features	Sales Volume and Price Range (approximate)
 Steering axle	<ul style="list-style-type: none"> Allow machines to turn sharply and precisely, making it easier to maneuver in tight spaces Typically fitted at the front, or at both front and rear on four-wheel steering vehicles for tighter turns and reduced tire wear 	<ul style="list-style-type: none"> Optimized for different power ranges and applications, including backhoe loaders, telehandlers, wheel loaders, wheeled excavators, mobile elevating work platforms and soil compactors Built for durability and reliability in all conditions Multiple gear ratios available to optimize traction and speed; various widths to suit different vehicle sizes Flexible mounting options to fit different vehicle layouts 	<p>Sales volume: 2023: 12,700 units 2024: 20,600 units 2025: 24,200 units</p> <p>Price range: RMB5,000 to RMB25,000 per unit</p>
 Rigid Axle	<ul style="list-style-type: none"> Non-steering and fixed in place typically fitted at the rear 	<ul style="list-style-type: none"> Differential systems available in open, limited slip, and/or 100% mechanical lock configurations Optional parking and service brakes, available in inboard, outboard, or on-wheel-hub configurations 	<p>Sales volume: 2023: 12,300 units 2024: 15,800 units 2025: 15,300 units</p> <p>Price range: RMB9,000 to RMB15,000 per unit</p>

Our construction equipment transmissions encompass a range of technological solutions, from conventional torque-converter-based transmissions to more recent hydrostatic systems and electric drivetrains, in order to meet evolving market trends.

The following table sets forth our key construction equipment transmissions:


Products	Description	Main Features	Sales Volume and Price Range (approximate)
 TCH90 PS	<ul style="list-style-type: none"> Advanced automatic transmission that allows the operator to change gears smoothly without interrupting power delivery, improving comfort and productivity Electronically controlled for precise and responsive performance, and is well-suited for engines up to approximately 150 HP 	<ul style="list-style-type: none"> Quick forward/reverse switching for efficient maneuvering 6-speed automatic gear changes under load Fully electronic control for precise operation Side-mounted drive configuration Reliable performance in demanding conditions 	<p>Sales volume: 2025: 140 units</p> <p>Price range: RMB30,000 to RMB40,000 per unit</p>

BUSINESS

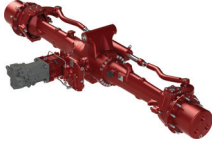
Products	Description	Main Features	Sales Volume and Price Range (approximate)
 <p>TB220C</p>	<ul style="list-style-type: none"> A single-speed gearbox designed for electric-powered compact construction equipment, particularly MEWPs 	<ul style="list-style-type: none"> Flexible connections for different electric motor types Works with both low and high voltage systems Optimized gear design resulting in quiet operation 	<p>Sales volume: 2023: 4,000 units 2024: 6,700 units 2025: 6,500 units</p> <p>Price range: RMB1,500 to RMB7,000 per unit</p>
 <p>TB Hydrostatic Family</p>	<ul style="list-style-type: none"> A family of transmissions designed for equipment powered by hydraulic motors, commonly used in telehandlers, compact wheel loaders, and wheeled excavators 	<ul style="list-style-type: none"> Single or two-speed options Different mounting heights (135 mm and 172 mm) Flexible installation to fit different layouts Compatible with hydraulic motors up to 160 cc capacity Wide range of gear ratios available Designed for efficient power transfer 	

Agricultural Machinery

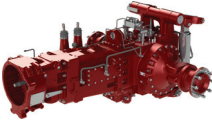
The following table sets forth our key agricultural machinery axles:

Products	Description	Main Features	Sales Volume and Price Range (approximate)
 <p>Front Steering Axle</p>	<ul style="list-style-type: none"> Designed for medium to high-powered tractors up to 400 HP 	<ul style="list-style-type: none"> Multiple differential options (open, limited slip, or full lock) for different traction needs Various gear ratios available to optimize grip and reduce tire wear Waterproof seals for use in wet conditions 	<p>Sales volume: 2023: 14,400 units 2024: 13,700 units 2025: 12,600 units</p> <p>Price range: RMB10,000 to RMB45,000 per unit</p>

BUSINESS


Products	Description	Main Features	Sales Volume and Price Range (approximate)
 <p>Rear Steering Axle</p>	<ul style="list-style-type: none"> Designed for cotton pickers and other specialized vehicles such as harvesting machines 	<ul style="list-style-type: none"> Axle center pivot for easy installation Flanged transfer box Built-in steering angle sensor 	<p>Sales volume: 2023: 1,300 units 2024: 600 units 2025: 500 units</p> <p>Price range: RMB20,000 to RMB40,000 per unit</p>

The following table sets forth our key agricultural machinery transaxle:

Products	Description	Main Features	Sales Volume and Price Range (approximate)
 <p>T230 (up to 250 HP)</p>	<ul style="list-style-type: none"> Combined transmission and axle unit designed for large open field tractors with engines up to 250 HP Ideal for heavy-duty farming applications and front loader work, with quick forward/reverse switching for comfortable and effective operation 	<ul style="list-style-type: none"> 24 forward and 8 reverse speeds with automatic gear shifting Built-in hydraulic rear lift with 80 kN lifting capacity On-board diagnostics and electronic control Electronically managed rear power take-off for driving implements 	<p>Sales volume: 2023: 60 units 2024: 30 units 2025: 10 units</p> <p>Price range: RMB120,000 to RMB140,000 per unit</p>

Material Handling

The following table sets forth our key material handling transmissions:

Products	Description	Main Features	Sales Volume and Price Range (approximate)
 <p>TA 135</p>	<ul style="list-style-type: none"> A compact transaxle designed for material handling equipment such as forklifts, contained in a single durable housing built for heavy-duty use 	<ul style="list-style-type: none"> Optimized gear design for quieter operation Smooth forward/reverse gear shifting Precise low-speed control for careful maneuvering Drum brakes included Built-in support for forklift mast 	<p>Sales volume: 2023: 2,800 units 2024: 1,600 units 2025: 1,200 units</p> <p>Price range: RMB10,000 to RMB15,000 per unit</p>

BUSINESS

Products Under Development

In addition to our established product range, we are actively developing new products to expand our offerings and meet evolving customer needs. The following table shows our new products in development:



TCB80 SPS

- The TCB80 Servo Power Synchro transmission delivers smooth, power-assisted gear changes with quick forward/reverse switching, semi-automatic and fully automatic shift modes, and electronic control for precise operation-ideal for backhoe loaders with engines up to approximately 110 HP

- Expected price range: approximately RMB20,000 to RMB30,000 per unit



FLS/LS 3.2

- The FLS/LS 3.2 is a compact two-speed gearbox designed for wheeled excavators over 15 tons, offering flexible installation, compatibility with hydraulic motors up to 115 cc, and a built-in automatic parking brake and lubrication system

- Expected price range: approximately RMB20,000 to RMB30,000 per unit

Warranties

We offer standard warranties until the earlier of (i) 18 months from delivery or notification of availability for delivery, (ii) 1,500 operating hours of the end-product incorporating our product, or (iii) 12 months from first registration or entry into service of such end-product. Replacement components correctly installed or repairs performed under warranty carry the same warranties until the later of six months from installation or the end of the original warranty period.

Our standard warranties provide that our products will conform to customer specifications and be free from defects, subject to standard limitations and exclusions (including failures due to incorrect use, inadequate maintenance, or use of non-original parts).

We maintain warranty provisions and our Directors believe that such provisions are adequate based on our estimates of amounts necessary to settle future and existing claims. In 2023, 2024 and 2025, we made RMB1.4 million, RMB2.1 million, and RMB2.2 million in warranty provisions.

ENGINEERING AND PRODUCT DEVELOPMENT

Our engineering and product development capabilities are central to our ability to serve the China market effectively and to pursue our growth strategy.

As a member of the Carraro Group, we benefit from access to a globally recognized technology platform and deep engineering expertise in off-highway driveline systems. Building on this foundation, our China-based engineering team leverages these global technologies and established engineering processes, together with its technical expertise and know-how in metallurgy, heat treatment processes, welding techniques, and corrosion-resistant coating technologies, as well as its understanding of local market and application requirements, to engineer driveline solutions for China-based customers. This combination of global and local capabilities enables us to deliver customized solutions for construction equipment and agricultural machinery applications in China.

BUSINESS

We adopt a market-facing, customer-led approach to engineering and product development. Our China-based engineering team, which comprised seven full-time engineers as of December 31, 2025, works together with our customers to optimize final product configurations with necessary product customization. Through close collaboration with our customers, our engineers develop ideas for tailoring existing driveline platforms to meet the technical specifications, performance requirements and operating conditions of specific applications in the Chinese market. This process of continuous engagement with our customer base enables us to identify emerging trends and evolving requirements at an early stage, and to translate those insights into commercially viable product solutions.

Where a customer’s requirements can be met through local adaptations to existing products, such as limited modifications to component specifications, application-specific configuration adjustments, or localization of materials and supplier sources, these customization activities are performed by our engineering team in China. Our local engineers also support manufacturing operations by resolving technical issues during production, implementing process updates, evaluating supplier technical capabilities, supporting the Production Part Approval Process (PPAP) and ensuring that supplied components meet our global technical and quality standards. For more complex projects involving significant design modifications, new system architectures, or the development of entirely new products, our China-based team collaborates with the Carraro Group’s engineering facilities in Italy. In these instances, our local team contributes opportunity identification, market intelligence, customer specifications and application insights, while the Carraro Group’s Italy-based engineering resources provide advanced design, simulation, prototyping and validation capabilities. This collaborative model has enabled us to undertake ambitious development programs, including the design of an entirely new driveline platform for MEWPs, which progressed from initial definition in June 2021 to serial production in November 2021. Over the past five years, our development roadmap has supported the launch of 30 new products across the construction equipment and agricultural machinery application markets in China.

Following the completion of the [REDACTED], and with the benefits of the IP Transfer, we intend to establish an R&D center of excellence in China for the design, integration, and testing of new products, including electrified and hydrostatic driveline systems for construction equipment. The R&D center of excellence will be equipped with dedicated test bench infrastructure and related facilities to support the development, testing and validation of advanced driveline solutions. Building comprehensive R&D capabilities in China will empower us to undertake significantly greater product development. This is intended to enhance our responsiveness to customer requirements, shorten development cycles, accelerate time to market, and position our Company at the forefront of the industry’s technological evolution toward electrification, digitalization and intelligence. For further details, see “— Intellectual Property”, “Future Plans and Use of [REDACTED]”, and “— Our Strategies — Enhance engineering and product development capabilities to adapt and extend product platforms.”

OUR CUSTOMERS

In 2023, 2024 and 2025, we had a customer base of 58, 64 and 83 customers, respectively. We primarily sell our products directly to off-highway equipment and machinery manufacturers in China. In addition, we sell our products to other entities within the Carraro Group and provide contract manufacturing services to CDTI. For additional information, see “— Sales, Distribution and Marketing — Sales to the Carraro Group”.

BUSINESS

The following table sets forth the breakdown of our revenue by customer location, in absolute amounts and as a percentage of total revenues, during the Track Record Period:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	% of total revenues	RMB'000	% of total revenues	RMB'000	% of total revenues
China	448,406	60.9	642,264	73.8	633,313	72.4
Europe	280,361	38.1	217,513	25.0	226,597	25.9
Others ⁽¹⁾	7,312	1.0	10,379	1.2	14,521	1.7
Total	736,079	100.0	870,156	100.0	874,431	100.0

Note:

(1) Others primarily includes India and the Americas.

The following table sets forth the breakdown of our revenue by delivery destination, as directed by the customer, in absolute amounts and as a percentage of total revenues, during the Track Record Period:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	% of total revenues	RMB'000	% of total revenues	RMB'000	% of total revenues
China	448,406	60.9	642,264	73.8	633,313	72.4
Americas	140,270	19.1	130,512	15.0	145,132	16.6
Europe	106,169	14.4	48,972	5.6	56,725	6.5
Asia-Pacific (excluding China)	41,234	5.6	48,408	5.6	39,261	4.5
Total	736,079	100.0	870,156	100.0	874,431	100.0

In 2023, 2024, 2025, total revenues from our five largest customers was RMB550.7 million, RMB641.7 million and RMB597.7 million, respectively, accounting for 74.8%, 73.7% and 68.4% of our total revenues, respectively. In the same years, revenue from the Carraro Group, our single largest customer, was RMB273.5 million, RMB220.8 million and RMB229.7 million, respectively, accounting for 37.2%, 25.4% and 26.3% of our total revenues, respectively.

Under normal market conditions, we generally offer our customers credit terms of 30 to 90 days post-invoice, with payment generally by telegraphic transfer. In limited circumstances, we require prepayment before order fulfilment.

BUSINESS

The following tables set forth details of our five largest customers by revenue contribution for each year of the Track Record Period:

For the Year Ended December 31, 2023

Ranking	Customer	Revenue <i>(RMB'000)</i>	% of total revenues	Products purchased from us	Year of commencing business relationship with us	Company background	Place of incorporation
1. . . .	Carraro Group	273,514	37.2	Axles and transmissions for construction equipment, agricultural machinery, mixed applications and material handling, and components	2008	An international industrial group, which is principally engaged in the design, manufacturing and distribution of high-efficiency power transmission systems and specialized tractors.	Italy
2. . . .	Customer A	153,032	20.8	Axles and transmissions for construction equipment and agricultural machinery	2021	A group headquartered in China, which is principally engaged in the manufacturing and sale of construction and mining equipment machines.	PRC
3. . . .	Customer B	53,369	7.2	Axles for agricultural machinery	2017	A state-owned companies headquartered in China, which is principally engaged in the manufacture and sale of integrated intelligent agricultural machinery and solutions.	PRC
4. . . .	Customer C	35,863	4.9	Axles for agricultural machinery	2023	A Hong Kong-Shanghai dual-listed group, which is principally engaged in the manufacture and sale of agricultural machinery and tractors.	PRC
5. . . .	Customer D	34,960	4.7	Axles and transmissions for construction equipment and agricultural machinery	2020	A SZSE-listed group headquartered in China, which is principally engaged in the manufacture of construction equipment and agricultural machinery.	PRC
	Sub-total	550,738	74.8				

BUSINESS

For the Year Ended December 31, 2024

Ranking	Customer	Revenue <i>(RMB'000)</i>	% of total revenues	Products purchased from us	Year of commencing business relationship with us	Company background	Place of incorporation
1.	Carraro Group	220,756	25.4	Axles and transmissions for construction equipment, agricultural machinery, mixed applications and material handling, and components	2008	Refer to above.	Italy
2.	Customer A	218,459	25.1	Axles and transmissions for construction equipment and agricultural machinery	2021	Refer to above.	PRC
3.	Customer E	75,180	8.6	Axles and transmissions for construction equipment	2023	A private company headquartered in China, which is principally engaged in the manufacturing and sale of construction and agricultural machinery.	PRC
4.	Customer D	73,392	8.4	Axles for agricultural machinery	2020	Refer to above.	PRC
5.	Customer B	55,180	6.2	Axles and transmissions for construction equipment	2017	Refer to above.	PRC
	Sub-total	641,678	73.7				

BUSINESS

For the Year Ended December 31, 2025

Ranking	Customer	Revenue <i>(RMB'000)</i>	% of total revenues	Products purchased from us	Year of commencing business relationship with us	Company background	Place of incorporation
1. . . .	Carraro Group	229,655	26.3	Axles and transmissions for construction equipment, agricultural machinery, mixed applications and material handling	2008	Refer to above.	Italy
2. . . .	Customer A	203,227	23.3	Axles and transmissions for construction equipment and agricultural machinery.	2021	Refer to above.	PRC
3. . . .	Customer F	61,981	7.0	Axles for construction equipment and agricultural machinery	2010	A Hong Kong-Shanghai dual-listed company headquartered in China, which is principally engaged in the manufacture and sale of construction equipment machines.	PRC
4. . . .	Customer C	52,679	6.0	Axles and transmissions for agricultural equipment	2009	Refer to above.	PRC
5. . . .	Customer G	50,157	5.8	Axles and transmissions for construction equipment and agricultural machinery	2015	A Hong Kong-Shenzhen dual-listed group of companies, which is principally engaged in the manufacture of construction equipment machines.	PRC
	Sub-total	597,699	68.4				

BUSINESS

To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, except for the Carraro Group, (i) all of our five largest customers in each year were independent third parties; (ii) there was no past or present relationship (including business, employment, financing, family, trust or otherwise) between us, our Directors, shareholders or senior management, or any of their respective associates and the five largest customers during the Track Record Period; and (iii) none of our Directors or their respective close associates or any person who, to the knowledge of our Directors, owned more than 5% of our issued share capital or had any interest in any of our five largest customers in each year as of the Latest Practicable Date.

During the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes with the aforementioned customers, nor did we receive any material complaints from such customers. We did not receive any material product returns from our customers during the Track Record Period and up to the Latest Practicable Date, and to the best knowledge of our Directors and senior management, there were no potential material product returns as of the Latest Practicable Date.

For further information, please see “Relationship with Our Controlling Shareholder”.

SALES, DISTRIBUTION AND MARKETING

We operate under two complementary sales models:

1. **Direct Sales:** We sell directly to manufacturers of construction equipment and agricultural machinery primarily in China, including leading domestic manufacturers.
2. **Sales to the Carraro Group:** When the Carraro Group and its customers mutually determine that the customers would be best served by having products manufactured by us, we determine, based on economic factors and manufacturing capacity, whether to manufacture such products. In addition, we manufacture certain components for entities within the Carraro Group, including machined parts and replacement components. For further information, please see “Relationship with Our Controlling Shareholders”.

The table below sets forth our revenue breakdown by sales model for the periods indicated:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	% of total revenues	RMB'000	% of total revenues	RMB'000	% of total revenues
Direct sales	462,565	62.8	649,400	74.6	644,776	73.7
Sales to the Carraro Group	273,514	37.2	220,756	25.4	229,655	26.3
Total	736,079	100.0	870,156	100.0	874,431	100.0

Direct Sales

As of December 31, 2025, we have a team of seven employees focused on sales and marketing in China. As we sell directly to customers in China, we do not use distributors in our direct sales model. As part of the Carraro Group, we benefit from the Carraro Group’s established global sales and services network, enabling us to reach new customers.

1. **Key customer enquiries:** China-based customers typically approach us with enquiries regarding technical specifications, project plans, or business plans for off-highway equipment and machinery. Once a product is identified, we onboard the customer under contract and begin product analysis.

BUSINESS

2. Product analysis and design: We assign the appropriate teams to analyze customer requirements, including a technical analysis team that maps out specifications and support needs. Based on this analysis, our engineering and product development team collaborates with the Carraro Group's engineering facilities for conceptual and detailed design, followed by virtual validation, prototyping, and lab and field testing.
3. Costing and pricing: Based on the product design, our financial analysis team prepares cost estimates and indicative pricing in accordance with internal guidelines and approval procedures, taking into account factors such as volume forecasts and required investment.
4. Manufacturing: Upon customer approval, the product enters production at our manufacturing plant in accordance with the approved design.
5. Inventory management: Products are manufactured according to customer schedules or orders, and finished goods are stored at our factory.
6. Delivery: Axles and transmissions are typically delivered Ex Works for domestic customers. Replacement component delivery terms are determined on a case-by-case basis.
7. After-sales services: We provide after-sales support, including train-the-trainer programs for customers and parts replacement during the warranty period.

Contractual Arrangements with Direct Sales Customers

We typically supply products to direct sales customers under framework or supply agreements. The key terms of these framework agreements are summarized below:

- *Order Placement*. Product specifications, quantities, purchase prices, and delivery dates are specified in rolling purchase orders based on the demand of our customers.
- *Warranty*. We provide a standard warranty on our products. See “— Our Products — Warranties” for a summary of standard warranties given to our customers.
- *Shipment and Delivery*. Delivery, risk, and logistics are generally allocated pursuant to the 2020 Incoterms, typically on CPT, Ex Works, or FCA (Free Carrier) terms. Risk in the products typically transfers in accordance with the agreed delivery terms, either upon the start of delivery (Ex Works) or upon handover to the designated carrier (FCA/CPT). For export shipments, we generally ship products in line with FCA Incoterms, under which risk in the products transfers to the customer upon delivery at the agreed point of shipment, which is generally Qingdao Port.
- *Product Return*. If we deliver goods that fail to conform to specifications, our customers may revoke acceptance, reject the goods, require correction, or return the goods to us at our expense and risk of loss.
- *Duration and Termination*. Framework agreements have terms ranging from one to three years, subject to renewal provisions, and may be terminated for breach.

BUSINESS

Pricing

We are committed to competitive pricing while continuously optimizing our cost structure. When determining prices, we consider a range of commercial and operational factors, including raw material costs, market conditions, manufacturing complexity, market size, order volumes, and technology requirements. During the Track Record Period, our products were sold across a relatively wide price range, primarily due to the breadth of our product offering across different markets and varying categories, models, specifications and customer requirements.

The degree of customization also affects pricing. Products requiring greater engineering input, bespoke design, or adaptation to specific customer applications typically command higher prices to reflect the additional development effort and manufacturing complexity. Conversely, more standardized products manufactured at higher volumes generally benefit from economies of scale, allowing us to offer more competitive pricing.

We maintain ongoing dialogue with customers regarding fluctuations in raw material prices, logistics costs, and exchange rates, and may negotiate price adjustments to reflect changes in these inputs.

Sales to the Carraro Group

We manufacture axles, transmissions, and related components for CDTI under a contract manufacturing agreement, confirmed by purchase orders. Products are invoiced to CDTI upon shipment, and we earn a level of profitability, on normal commercial terms or better terms for our Company, on total operating costs, determined by reference to the OECD Transfer Pricing Guidelines and applicable PRC tax law. Benchmarking is performed by independent advisors and subject to periodic review. Invoices are issued on the shipment date in the currency instructed by CDTI, with payment due 60 days from invoice.

Products are delivered directly to CDTI's customers under FCA arrangements, with title and risk remaining with our Company until the products are delivered to the customs area and cleared for export. CDTI may reject non-conforming products and require corrective action at our expense. We must replace defective products within 90 days of notification or, at CDTI's discretion, reimburse the price paid.

We also manufacture certain components for other Carraro Group entities, including machined parts and replacement components.

After-sale Services

Our customers are entitled to after-sale services, including train-the-trainer programs for their service teams and parts replacement during the warranty period.

Complaints are managed under standardized quality-management procedures and documented in our internal systems. Our after-sales and quality teams coordinate with engineering, production, and supplier-quality functions as necessary to resolve issues.

Marketing

Our marketing activities focus on direct engagement with existing China-based customers rather than mass-market advertising. Principal activities include regular visits and technical and commercial meetings with customers, participation in major industry exhibitions where we present our driveline solutions and discuss new programs, and attendance at customer-supplier conferences and segment-specific meetings. These events also serve as platforms for collecting market feedback and identifying new business opportunities.

BUSINESS

SUPPLIERS AND SUPPLY CHAIN MANAGEMENT

Procurement of Supplies

We procure castings, steel components such as gears and shafts, bearings, hydraulic parts, and other materials such as lubricants, oils and paints primarily from third-party suppliers. We also procure certain materials and components from other Carraro Group entities where appropriate, considering factors such as features, pricing, availability, delivery lead time, and total procurement cost.

Castings are typically tested by accredited external laboratories for material and mechanical properties, while steel parts are tested in our internal laboratory before release to production, alongside standard incoming inspections. Critical castings are then processed into usable products in our machine shop.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material shortages, delays, or difficulties in procuring key raw materials or components from suppliers, and we did not experience any material price fluctuations, overstock, delays, or shortages in supply.

During the Track Record Period, we outsourced certain machined casting processes to suppliers on an as-needed basis to manage demand peaks. We subcontract certain machining processes to maintain operational flexibility and manage demand fluctuations without overinvesting in fixed capacity. Subcontractors are independent third parties required to hold ISO 9001:2015 Quality Management Systems certification, pass audits under the Carraro Supplier Quality Manual, and meet contractual terms covering price, quality, lead times, and payment. To ensure quality standards, our quality and engineering team works closely with subcontractors to establish appropriate processes and controls. We do not engage subcontractors for production beyond such machining outsourcing.

During the Track Record Period, we sourced from 490 suppliers in China and 85 suppliers internationally, including in Europe, Asia-Pacific and the Americas. We prioritize local sourcing to lower production costs, optimize supply chain logistics, and minimize lead times.

Suppliers are selected based on our internal QCDD (Quality, Cost, Delivery, Development) metrics, and we monitor compliance on an ongoing basis. QCDD metrics include defect rates, competitive pricing, deadline adherence, and overall past performance. We have adopted the following initiatives to foster stable supplier relationships and ensure supplier quality and cost discipline:

- Long-term agreements: We generally enter into long-term agreements with local suppliers, and utilize the Carraro Group's similar agreements with global suppliers. We place purchase orders under these agreements and typically provide rolling forecasts of product requirements on a regular basis.
- Periodic supplier engagement: We and the Carraro Group engage with suppliers at regular intervals to strengthen existing relationships, including conducting value analysis and engineering consulting together with suppliers, hosting supplier meetings to share future plans, and presenting supplier awards to recognize contributions. We also attend suppliers' events from time to time.
- Rapid improvement workshops: We provide rapid improvement workshops to help suppliers resolve production or quality issues at their facilities.
- Supplier quality department: Our supplier quality department is responsible for supplier assessments, periodic audits, and process control audits.

BUSINESS

Our Major Suppliers

In each year during the Track Record Period, our purchases from our five largest suppliers accounted for 39.4%, 38.9% and 38.1% of our total purchases in 2023, 2024 and 2025, respectively. Our purchases during the Track Record Period from our largest supplier accounted for 14.1%, 12.7% and 12.1% of our total purchases, respectively, for the same periods. During the Track Record Period, our suppliers generally required us to settle our payments between 60 to 120 days from the end of month of the date of invoice.

The following table sets forth certain details of our five largest suppliers during the Track Record Period:

For the Year Ended December 31, 2023

Ranking	Supplier	Purchase amount <i>(RMB'000)</i>	% of total purchase	Products/services purchased	Year of commencing business relationship with us	Company background	Place of incorporation
1. . . .	Supplier A	82,317	14.1	Castings	2008	A private company headquartered in China, which is principally engaged in the import and export of goods and R&D on automotive parts.	PRC
2. . . .	Carraro Group	58,423	10.0	Castings, steel components, bearings, hydraulic parts, other materials, engineering services	2008	An international industrial group, which is principally engaged in the design, manufacturing and distribution of high-efficiency power transmission systems and specialized tractors.	Italy
3. . . .	Supplier B	34,251	5.9	Steel components	2008	A private company headquartered in China, which is principally engaged in the manufacturing and sales of gears, bearing and transmission components.	PRC
4. . . .	Supplier C	28,915	5.0	Castings	2013	A SZSE-listed group of companies based in China, which is principally engaged in the design and manufacture of mechanical transmission gears.	PRC
5. . . .	Supplier D	25,752	4.4	Castings	2008	A private company headquartered in China, which is principally engaged in manufacturing and sales of automobile parts and castings.	PRC
	Total	229,658	39.4				

BUSINESS

For the Year Ended December 31, 2024

Ranking	Supplier	Purchase amount <i>(RMB'000)</i>	% of total purchase	Products/services purchased	Year of commencing business relationship with us	Company background	Place of incorporation
1. . . .	Supplier A	85,253	12.7	Castings	2008	Refer to above.	PRC
2. . . .	Carraro Group	73,597	11.0	Castings, steel components, bearings, hydraulic parts, other materials, engineering services	2008	Refer to above.	Italy
3. . . .	Supplier E	34,454	5.2	Castings	2020	An international company operating in China, which is principally engaged in the manufacturing of wheel end solutions and other casting parts.	PRC
4. . . .	Supplier D	33,667	5.0	Castings	2008	Refer to above.	PRC
5. . . .	Supplier B	33,107	5.0	Steel components	2008	Refer to above.	PRC
	Total	260,078	38.9				

For the Year Ended December 31, 2025

Ranking	Supplier	Purchase amount <i>(RMB'000)</i>	% of total purchase	Products/services purchased	Year of commencing business relationship with us	Company background	Place of incorporation
1. . . .	Supplier A	76,492	12.1	Castings	2008	Refer to above.	PRC
2. . . .	Carraro Group	46,752	7.6	Castings, steel components, bearings, hydraulic parts, other materials, engineering services	2008	Refer to above.	Italy
3. . . .	Supplier E	43,110	6.9	Steel components	2020	Refer to above.	PRC
4. . . .	Supplier B	38,389	6.1	Steel components	2008	Refer to above.	PRC
5. . . .	Supplier F	34,064	5.4	Steel components	2012	A private company headquartered in China, which is principally engaged in the manufacturing and sales of mechanical transmission components.	PRC
	Total	238,807	38.1				

BUSINESS

To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, except for the Carraro Group, (i) all of our five largest suppliers in each year were independent third parties; (ii) there was no past or present relationship (including business, employment, financing, family, trust or otherwise) between us, our Directors, shareholders or senior management, or any of their respective associates and the five largest suppliers during the Track Record Period; and (iii) none of our Directors or their respective close associates or any person who, to the knowledge of our Directors, owned more than 5% of our issued share capital or had any interest in any of our five largest suppliers in each year as of the Latest Practicable Date.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant fluctuation in prices set by our suppliers, material breach of contracts on the part of our suppliers or delay in delivery of our orders from our suppliers, nor did we have any material disputes with our suppliers.

During the Track Record Period, we procured certain semi-finished goods and components from CDTI and other entities within the Carraro Group in the ordinary course of business. These intra-group purchases are conducted on normal commercial terms or better terms for our Company in accordance with the OECD Transfer Pricing Guidelines and applicable PRC tax law. The products we purchased from the Carraro Group primarily comprise specialized components, such as clutches, that are not readily available from local suppliers in China due to technical implementation barriers or low volume requirements.

Agreements with Third Party Suppliers

We procure raw materials, components, and services primarily through purchase orders issued under our group purchasing framework, with pricing, quantities, and delivery requirements set out in the applicable orders and schedules. Our purchase orders incorporate our general supplier terms and conditions and any applicable framework agreements. Key terms typically include:

- supplier obligations to maintain capacity to deliver according to our production requirements and agreed delivery schedules;
- compliance with applicable laws, regulations, and standards relating to the manufacture, labeling, transportation, import/export, licensing, approvals, and certification of goods and services;
- non-exclusivity, our ability to source alternative supply to ensure continuity, and termination rights for breach or convenience on notice;
- acceptance procedures, and remedies for delay or non-delivery (including liquidated damages, cancellation, and cover purchases);
- pricing and adjustment mechanisms as set out in the framework and purchase orders;
- customary warranties, defect remedies, recall support, and indemnification; and
- set-off and withholding rights in the event of disputes, defects, or established claims.

If a supplier breaches the terms of our contracts with them, we may terminate and recover or set off losses, costs, and damages, and may seek equitable relief as well as monetary damages. Payments are made within the agreed terms to the supplier's notified account, subject to our set-off and withholding rights.

BUSINESS

Supply Shortages and Price Fluctuations

We seek to avoid supply shortages and manage price fluctuations through a number of measures. Capacity studies of our suppliers are conducted based on our procurement demand to project machining capacity requirements in advance to identify potential constraints early. Our suppliers’ financial information is regularly monitored to identify suppliers that may be facing financial difficulties.

We mitigate supply shortages by maintaining dual sourcing for critical inputs such as forgings and machined castings, and by enforcing supplier qualification and periodic audits to ensure capacity and quality readiness. We monitor raw material indices and use formula-based pricing, annual reviews, and negotiation mechanisms (including rebates and bonuses) to manage input-cost volatility. As the Carraro Group is a significant customer for certain commodities, we benefit from bargaining power and year-end discounts.

We also seek to pass on raw material cost increases to our customers where possible. Our product prices may be adjusted to reflect changes in input costs, such as through commodity or foreign exchange escalation/de-escalation clauses. Price adjustments are typically governed by formulas agreed with customers that link product pricing to raw material cost fluctuations. In some cases, these arrangements include a de minimis threshold (sometimes referred to as a “non-intervention zone”), meaning price adjustments are only triggered when input cost changes exceed an agreed threshold. This pass-through mechanism helps protect our margins against raw material price volatility, although we may not always be able to pass on cost increases in full or on a timely basis.

Overlap between Customers and Suppliers

During the Track Record Period, we had one overlapping customer and supplier, the Carraro Group purchased our products and supplied certain materials. For further details, see “Relationship with our Controlling Shareholders” and “Connected Transactions”.

In 2023, 2024 and 2025, revenue generated from transactions with the Carraro Group amounted to RMB273.5 million, RMB220.8 million and RMB229.7 million, amounting to 37.2%, 25.4% and 26.3% of our total revenues, respectively. For the same periods, our purchase amounts from the Carraro Group amounted to approximately RMB58.4 million, RMB73.6 million and RMB46.8 million respectively, amounting to 10.0%, 11.0% and 7.6% of our total purchases.

MANUFACTURING



BUSINESS

Manufacturing Plant

As of December 31, 2025, we own and operate one manufacturing plant in Qingdao, Shandong Province, China, with a building covered area of 28,749 square meters. The facility serves as an integrated production site, combining manufacturing, warehousing, and office space.

The facility manufactures our direct sales and contract manufacturing product range. Principal functional zones and key equipment are organized in-line to support end-to-end production: an incoming inspection area equipped with three coordinate measuring machines (CMMs) and one Gleason gear tester; a machining workshop with 28 computer numerical control (CNC) machines; two washing zones with five washing machines; an assembly workshop with five assembly lines/areas; and a painting line. The CMMs and Gleason gear tester operate under temperature-controlled conditions of 20 ± 2 degrees Celsius to ensure stable dimensional measurements. A dedicated maintenance department undertakes regular inspection and maintenance to sustain equipment availability and utilization. Finished goods are stored at the production facility. We own all of our core manufacturing and production equipment, and all of our equipment undergoes regular maintenance and servicing in compliance with established standards.

The facility is also certified as an Authorized Economic Operator (AEO) for customs compliance and supply chain security. Our plant is subject to periodic inspections from the regulatory agencies that issued these certifications.

Manufacturing Process

The following sets forth our typical manufacturing process:



1. **Material Receipt:** Upon arrival at our plant, incoming parts are checked against the packing list, registered in our SAP system, and stored onsite pending quality inspection.
2. **Incoming Quality Inspection:** All materials undergo an incoming quality inspection. Castings are tested by accredited external laboratories, while steel parts are tested in-house.
3. **Material Storage:** After our Incoming Quality Control (IQC) team confirms quality, parts are stored in the warehouse and then transferred to the relevant workshop or area according to the production or delivery schedule.
4. **Machining:** Raw materials and parts are transferred to the machining workshop to undergo processes such as milling, drilling, threading, and hobbing.
5. **Washing and Assembly:** Following machining, products are cleaned in washing machines and then assembled according to the production plan.
6. **Testing:** Our products pass through quality gates and undergo end-of-line testing to identify any production issues and implement necessary improvements.
7. **Painting:** Final products are painted on the painting line, involving pre-treatment, primer application, top coating, and drying.
8. **Pre-Dispatch Inspection:** Products undergo final inspection before dispatch, and a pre-dispatch inspection report is generated.

BUSINESS

9. **Packaging:** After pre-dispatch inspection, both unpainted and painted finished goods are packaged according to conditions agreed with our customers.
10. **Process Quality Control:** Steps 4 through 9 (Machining to Packaging) are subject to in-process quality control to ensure all quality requirements are met.
11. **Dispatch:** After completing all the above processes, final products are dispatched to customers in accordance with agreed Incoterms.

Capacity and Utilization

The following table sets forth the installed production capacity and Utilization Rate of our manufacturing plant for axles and transmissions for the years indicated.

Products	2023		2024		2025	
	<i>Production capacity⁽¹⁾</i>	<i>Utilization Rate (%)⁽²⁾</i>	<i>Production capacity⁽¹⁾</i>	<i>Utilization Rate (%)⁽²⁾</i>	<i>Production capacity⁽¹⁾</i>	<i>Utilization Rate (%)⁽²⁾</i>
			<i>(units, except for percentages)</i>			
Axles	45,500	89	55,000	92	59,000	87
Transmissions	21,000	58	20,500	62	22,500	60
Total	66,500	79	76,000	84	82,000	80

Notes:

- (1) Production capacity is calculated based on the following assumptions: (i) eight hours a shift, one shift a day and (ii) 300 working days a year.
- (2) Utilization Rate is calculated by dividing the actual production by the designed capacity for the relevant period.

Primary factors affecting the utilization rate of our manufacturing facilities include the market demand for certain products, which affects the volume of orders from our customers, and our ability to utilize our newly ramped-up capacity.

QUALITY CONTROL

The success of our business depends on our product quality. We adhere to the Carraro Group’s rigorous global quality control and assurance standards, and our Supplier Quality Assurance (SQA) teams work closely with suppliers to conduct technical reviews for each component developed for us. With backgrounds in technology design, our SQA team members are able to engage in the supplier’s design process to identify and resolve issues at an early stage. During manufacturing, our SQA teams monitor production and coordinate any necessary modifications with our suppliers. As of December 31, 2025, we have five SQA team members.

To support these quality assurance efforts, our manufacturing plant is equipped with testing laboratories featuring Coordinate Measuring Machines (CMM), Gear Measuring Machines (GMM) and other instruments to inspect incoming products and materials. These laboratories conduct hardness tests, raw material microscope checks and material composition analysis. In addition, our employees periodically undergo training programmes to stay updated on the latest quality norms and standards. We use specialized devices for contamination tests on machined parts, verify painting requirements and calibrate torque wrenches. End-of-line tests ensure our products function as designed. Our dedicated customer satisfaction and after-sales team performs on-site inspections at customer facilities, analyses product failures and coordinates corrective actions.

Field complaints are recorded in our SAP system and reviewed weekly by our local after-sales team. This analysis informs our engineering department’s ongoing design improvements. Each product has a unique serial number linked to the incoming goods batch number, integrated into our SAP ERP systems to provide clear traceability of quality status.

BUSINESS

During the Track Record Period, we did not experience any significant product returns, replacements, defects, customer complaints, product liability claims, or product recalls that had a material adverse effect on our business, financial condition, or results of operations.

INVENTORY MANAGEMENT

Our inventories consist of raw materials, work-in-progress, and finished goods. As of December 31, 2023, 2024 and 2025, our inventories were RMB101.2 million, RMB111.2 million, and RMB116.3 million, respectively. We review our customer portfolio and demand monthly for inventory planning and adjustment. The ability to store raw materials, work-in-progress, and finished goods at our plant enables us to withstand supply disruptions and raw material price volatility. We plan inventory levels based on historical sales, actual orders on hand, and anticipated production requirements, taking into consideration expected fluctuations in raw material prices and delivery delays. We review our inventories periodically, and formulate handling plans for obsolete inventory, including discounted sales, re-manufacturing for use, or scrapping semi-annually. At the end of each year, a write-down test is conducted on all inventory, with semi-annual testing for inventory at risk of significant impairment. Our warehouse is located at our production plant.

LOGISTICS

Our products are shipped directly from our manufacturing facility. Domestic products are delivered mainly by truck, while export products are shipped primarily by sea. Our contracts with third-party logistics providers contain specific standards for transporting our products. We periodically evaluate their compliance and performance to ensure smooth delivery. For further information on our delivery terms, see “— Sales, Distribution and Marketing — Direct Sales — Contractual Arrangements with Direct Sales Customers” and “— Suppliers and Supply Chain Management — Our Major Suppliers — Agreements with Third Party Suppliers”.

INFORMATION TECHNOLOGY

Our information technology systems are integral to our operations. We utilize a fully integrated SAP ERP system operated and hosted by Carraro S.p.A. in Italy to support end-to-end procurement, inventory, production planning, sales order processing, and financial settlement, providing real-time data accuracy and traceability.

In addition to the SAP ERP system, we operate a manufacturing execution system that manages production data, process traceability, quality assurance, and shop-floor operations at each production site. We also utilize a Product Lifecycle Management system that integrates our research and development systems to support product design, development, engineering change management and technical documentation.

Our core IT equipment, including servers, core switches, IP voice switches, and backup servers, is hosted in a data center featuring fire detection, automatic gas firefighting, protected power supply, and environmental protection. Our facility has wired and wireless coverage through a fiber backbone and dedicated internet line. We regularly review our IT systems to maintain operational efficiency and security. We maintain comprehensive data security monitoring, backup systems, and policies, and our IT systems are either licensed, purchased, or developed and maintained by our internal IT team.

Data Protection and Information Security

We maintain comprehensive personal data protection policies in compliance with China’s Personal Information Protection Law (PIPL). To safeguard personal data, we employ strict access controls, encryption, and secure storage, and conduct regular IT audits. Our employees receive training on data privacy, and our internal policies govern the handling of all personal information. We have completed the required Personal Information Protection Impact Assessment (PIPIA) and successfully filed the Standard Contract for cross-border data transfers with the Cyberspace Administration of China.

BUSINESS

During the Track Record Period and up to the Latest Practicable Date, we (i) had not experienced any material incidents involving the theft, leakage, damage, illegal use, or illegal cross-border transfer of core data, critical data, or large volumes of personal information, (ii) had not been subject to any material investigations, inquiries, rectification orders, or penalties from relevant government authorities related to cybersecurity, data protection, or cybersecurity reviews, and (iii) were not subject to any material lawsuits, arbitrations, penalties, or potential disputes or conflicts concerning cybersecurity and data protection.

INTELLECTUAL PROPERTY

We rely on intellectual property laws, as well as contractual arrangements and confidentiality procedures, to establish and protect our proprietary technologies and know-how. We hold system intellectual property rights and know-how for our products tailored to our market and license the Carraro corporate name, logo, and trademarks from Carraro S.p.A. For detailed information about our material intellectual property, see “Appendix IV — Statutory and General Information — 2. Further Information about Our Business — B. Our Material Intellectual Property Right.”

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any intellectual property infringement disputes or claims that had a material adverse impact on the Carraro Group.

IP Transfer

Prior to the IP Transfer, we manufactured products under an intra-group sublicense arrangement with CDTI, under which CDTI sublicensed to us certain system-level technologies and know-how to support our manufacturing and sale in China, and in return, we paid royalty fees to the Carraro Group.

With the view of allowing us to upgrade and adapt our products in the China market in a more effective manner, on January 1, 2026, Carraro S.p.A. transferred the rights, title and interest in the system level technologies and know-how of 152 products which are customized for our direct sales in China, at a consideration of EUR23.3 million (equivalent to RMB191.4 million), which was paid in January 2026.

Following the IP Transfer, we ceased paying royalty fees with respect to the transferred intellectual properties, and will incur engineering services fees from the Carraro Group under the Engineering Services Framework Agreement to support our optimization of the products subject to the IP Transfer. For products for which we have not acquired the intellectual property rights from Carraro S.p.A., which are mainly marketed outside of China, we will continue to manufacture and sell such products pursuant to sublicense agreements under the Technology Licensing Framework Agreement. For details, see “Connected Transactions”.

SEASONALITY

During the Track Record Period, we generally recorded higher sales of construction equipment products in the fourth quarter, as manufacturers typically increase procurement ahead of heightened construction activity at the beginning of the following year. By contrast, sales of agricultural machinery are generally higher in the first quarter, reflecting increased demand ahead of farming activities after the winter season. However, due to our broad product portfolio and diversified applications, our overall sales did not exhibit material seasonal fluctuations.

PROPERTIES

Our headquarters, production plant, and offices are located in one integrated site owned by us in Qingdao, China. As of the Latest Practicable Date, the site had a gross floor area of approximately 28,749.42 square meters on a site area of approximately 65,293 square meters, comprising workshops, office buildings, and auxiliary facilities. We have obtained real estate ownership certificates for all of such properties.

BUSINESS

As at the Latest Practicable Date, we leased two properties in China with an aggregate gross floor area of approximately 260 square meters from third parties. These properties are used primarily as staff quarters. Our lease agreements in respect of the abovementioned leased properties have lease terms of one to two year(s).

As at the Latest Practicable Date, our PRC Legal Advisor has confirmed that we had complied with all the applicable laws in respect of our owned and leased properties in all material respects.

As of the Latest Practicable Date, none of the properties held by us had a carrying amount of 15% or more of our total assets. According to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this Document is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

COMPETITION

The competitive landscape of China’s off-highway power transmission systems and machinery market features a clear division between OEMs and specialized component manufacturers. While OEMs focuses on system integration, specialized suppliers excel in focused innovation, cost efficiency, rapid customization. Their deep expertise in specific sectors allows them to establish collaborative, and long-term partnerships with OEMs, accelerating technological upgrades and supporting the shift toward electrification. By offering flexible, scalable solutions, specialized component manufacturers have become indispensable drivers of competitiveness and localization within the evolving supply chain and industry dynamics.

According to F&S, we are one of the leading specialized driveline manufacturers in China, with leading market positions across our core application segments: we ranked first among all backhoe loader driveline manufacturers in China, second among all MEWP power transmission systems and machinery manufacturers in China and third among all heavy duty tractor driveline manufacturers in China, in each case in terms of 2025 revenue. We believe that our competitive position is underpinned by our strengths, including our leading market position as a supplier of integrated driveline systems with longstanding customer relationships, comprehensive product offerings covering diverse off-highway applications, competitive manufacturing operations, strong application engineering and product development capabilities. For details of our competitive landscape, see “Industry Overview.”

OUR EMPLOYEES

As of December 31, 2025, we had 287 full-time employees, all of whom were located in China. The following table sets forth the breakdown of our employees by function as of December 31, 2025:

Function	Number of Employees	% of total number of employees
<i>General Manager</i>	1	0.4
<i>Manufacturing</i>	154	53.7
<i>Quality Assurance</i>	50	17.4
<i>Logistics and Procurement</i>	46	16.0
<i>Administration, Finance & Control</i>	10	3.5
<i>HR, Leadership & Culture</i>	12	4.2
<i>Engineering</i>	7	2.4
<i>Sales & Marketing</i>	7	2.4
Total	287	100.0

BUSINESS

Our workforce comprises skilled laborers and seasoned industry professionals. Our success depends on our ability to attract, motivate, train and retain qualified personnel. To this end, we engage professional headhunters for senior recruitment and work with a university in Qingdao for graduate recruitment. We place great emphasis on investing in our employees and have accordingly established a comprehensive talent development system.

Specifically, we offer comprehensive training programmes for employees at all levels, including new employee orientation, management soft skills training (delivered in partnership with a university in Zhejiang), technical training for professional staff, and workshop training focusing on production, quality and safety. We track training effectiveness through skill assessments and project completions for six months post-training.

In addition, we offer competitive base salaries and performance-based bonuses, together with a comprehensive benefits package, including statutory social insurance and housing fund contributions, supplemental insurance, meal and transport allowances, health check-ups and mental health support.

As a result of these efforts, we were awarded “Best Employer” and “Best Employer — Engaging Leadership” by Mercer in 2024, and “Top Employer” and “Top Employer — Corporate Social Responsibility” by 51Job in 2023. We believe that we maintain a good working relationship with our employees, and we have not experienced any material labour disputes during the Track Record Period and up to the Latest Practicable Date.

INSURANCE

We maintain property all risk and business interruption insurance, marine cargo insurance, digital business and data protection insurance, public and product liability insurance, employer liability insurance and corporate liability insurance covering directors’ and officers’ liabilities. These insurance policies cover the risks that may arise from our ordinary course of business and various accidental losses. Most of our insurance policies are subject to standard deductions, exclusions and limitations. We are also required by Chinese social insurance laws and regulations to make contributions for social insurance funds for our employees.

We believe that our insurance coverage is in line with industry practice in China, including with respect to the terms and coverage of the insurance policies. However, there is no assurance that the insurance policies we maintain are sufficient to cover all of our operational risks. For more information, please refer to “Risk Factors — Risks Relating to Our Business and Industry — Our insurance coverage may not adequately protect us against all operating risks.” in this Document.

LICENSES, CERTIFICATES AND PERMITS

The following table sets forth the details of the material licenses and permits necessary for the business operations.

<u>License/Permit</u>	<u>Entity Holding the License/Permit</u>	<u>Expiration Date</u>
Pollutant Discharge Permit	Our Company	12/11/2030
Customs Import and Export Consignor and Consignee Registration	Our Company	31/12/2099

During the Track Record Period and up to the Latest Practicable Date, as advised by our PRC Legal Advisors, we had obtained all requisite licenses, certificates and permits from the relevant authorities that are material to our operations in China. In addition, during the Track Record Period and up to the Latest Practicable Date, we had obtained all material licenses, certificates and permits necessary to conduct our

BUSINESS

business in all relevant jurisdictions. We are required to renew such licenses, permits, approvals and certificates from time to time. We do not expect any material legal obstacles in renewing our licenses, certificates and permits, as necessary, from time to time.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

ESG is integral to our business. Our Board has direct oversight of ESG matters, setting strategy, managing risks and opportunities, and reviewing performance on a regular basis.

ESG Governance Structure

The Board has delegated day-to-day ESG management to the ESG and Sustainability Committee. An ESG driver team beneath it supports implementation across three pillars: manufacturing leads environmental matters, human resources leads social matters, and finance leads governance matters. Our Company runs ongoing professional training to strengthen the capabilities of both the committee and the driver team.

Our Board of Directors treats compliance culture as foundational to sustainable growth, embedding requirements into strategy and governance. It enforces compliance measures, including ESG-related obligations, through policy reviews and oversight of material matters to mitigate operational risks. Executive compensation is linked to overall ESG performance, with governance and social responsibility built into the KPIs.

The following have been determined as our key ESG focus areas: corporate governance, emissions management, resource efficiency, sustainable products and processes, anti-corruption, ethics and integrity, occupational health and safety, product safety and quality, customer satisfaction and service excellence, training and skills development, supply chain management, brand and reputation, human and labour rights protection, wellbeing and work-life balance, performance management and employee compensation, diversity, equal opportunity and inclusion, intellectual property protection, community welfare, and climate change resilience.

Risk Management

We have fully integrated climate risk management into our unified enterprise risk management system. This system covers all categories of risks including strategy, compliance, and finance, following a unified governance structure and management process. The Board is responsible for supervising the operation of the full process. Through risk identification, assessment, response, regular review, and continuous improvement, we ensure that climate-related factors are comprehensively and integrally considered in business decision-making and risk control work.

We systematically identify specific climate risks based on the Task Force on Climate-Related Financial Disclosures (TCFD) framework. We conduct qualitative assessments from two dimensions: probability of occurrence and degree of financial impact, thereby determining risk levels and priorities. After completing risk identification and assessment, we continuously monitor and review climate risks through regular assessments and annual report reviews, achieving a management closed loop from strategy formulation, execution to review and improvement.

Business Ethics and Anti-Corruption

We strictly adhere to the PRC Anti-Unfair Competition Law, the PRC Anti-Money Laundering Law and other applicable laws and regulations. We have instituted internal policies, including the Employee Handbook and the Code of Ethics, which clearly prescribe standards of conduct for employees, management and business partners. We maintain a zero-tolerance stance towards bribery, corruption, fraud and money laundering, and have established comprehensive mechanisms for prevention, monitoring and whistleblowing.

BUSINESS

We operate independent and accessible reporting channels. We encourage and protect internal staff and external stakeholders who report suspected violations. All reports are handled promptly, fairly, and confidentially, and we guarantee whistleblowers are protected from retaliation. All new hires receive mandatory training on business ethics and anti-corruption. Key personnel attend regular briefings and case studies to reinforce integrity. As of December 31, 2025, no concluded corruption-related litigation had material impact on the Company. In 2025, all directors and management completed anti-corruption training under the Code of Ethics.

SOCIAL MATTERS

Labour Practices

We hire based on legal compliance and ethical standards. We follow the Labour Law of the People’s Republic of China, Labour Contract Law, and internal policies including the Code of Ethics and Employee Handbook. We apply fair, transparent, and non-discriminatory practices across recruitment, compensation, and career advancement. We strictly prohibit child labour and forced labour.

For welfare compensation, we offer competitive pay and benefits. This includes statutory social insurance and housing fund, plus paid annual leave, supplementary commercial insurance, annual health checks, and free work meals. We strictly prohibit discrimination and harassment based on gender, age, race, religion, disability, marital status, or nationality. We have obtained ISO 45001 certification for occupational health and safety management systems and ISO 45003 certification for psychological health and safety at work management systems.

We run an Employee Assistance Programme, providing 24/7 free professional counselling for employees and their immediate family members. In 2025, women held 36% of management positions. We have established open communication mechanisms, such as suggestion boxes and periodic employee satisfaction surveys, to ensure transparent dialogue with employees. The Supervisory Committee assists whistleblowers and ensures protective measures are in place.

The following table sets out the number of employees of our Group by gender and age group during the Track Record Period:

	2023	2024	2025
Total Employees	280	275	287
Male	221	216	229
Female	59	59	58
Age 30 and under	48	40	49
Age 31-45	205	201	195
Age over 45	27	34	43
Overall Turnover Rate	8.90%	10.20%	5.80%

Employee Training

We run a dual-track training system covering leadership and professional skills. The Business School develops management talent; the Technical School builds professional expertise. The curriculum includes energy management, anti-corruption compliance, safety production, and information confidentiality to strengthen regulatory awareness and risk control. All training is delivered through our advanced training center following a “learn-apply-assess” cycle to ensure effective transfer and support strategic goals.

BUSINESS

The following table sets out training data during the Track Record Period:

Indicator	Category	2023	2024	2025
Percentage of employees trained (%)	Male	100%	100%	100%
	Female	100%	100%	100%
Average training hours per employee (h) ⁽¹⁾	Male	21.12	21.52	8.49
	Female	22.98	23.56	9.05

Note:

- (1) The reduction in training hours during 2025 is primarily attributable to two factors: first, heightened operational intensity driven by elevated annual output targets and concentrated new project rollouts, which necessitated the prioritisation of production resources; and second, a strategic pivot in training methodology from quantitative metrics to outcome-based assessment, emphasising tangible value delivery and practical competency outcomes. For 2026, the Company intends to augment its training curriculum with enhanced programmes covering new production employee onboarding, occupational safety, leadership development and professional technical skills.

The reduction in training hours during 2025 is primarily attributable to heightened operational intensity driven by elevated annual output targets and concentrated new project rollouts, as well as a strategic pivot in training methodology from quantitative metrics to outcome-based assessment.

Health and Safety

The Company maintains rigorous compliance with applicable occupational health and safety regulations, including the PRC Occupational Disease Prevention and Control Law, Regulations on the Safety Management of Hazardous Chemicals, and internal Accident Statistics and Investigation Systems. We implement comprehensive occupational health surveillance programmes, including mandatory medical examinations for at-risk employees and the maintenance of individual health records.

The Company is certified to ISO 45001 standards for occupational health and safety management systems. We have established a comprehensive safety governance framework anchored by the Safety Production Responsibility System. We conduct systematic risk assessments, hazard inspections, special audits, and target-based performance management to ensure the continuous effectiveness of our occupational health and safety systems. We have complete emergency plans, run regular drills, and maintain full first-aid facilities to strengthen emergency response. We recorded zero fatal accidents during the Track Record Period. Lost workdays due to work injuries were: 8.0 days in 2023, 66.9 days in 2024, and 23.2 days in 2025.

ENVIRONMENTAL MATTERS

Environmental Management

We strictly comply with national and local environmental regulations, including the Environmental Protection Law of the People’s Republic of China and the Administrative Measures for Ecological Environment Standards. We have established and maintained an ISO 14001-certified environmental management system to continuously improve our environmental performance. Environmental protection and compliance expenditures were approximately RMB1.3 million, RMB1.6 million, and RMB1.8 million for 2023, 2024, and 2025 respectively. No environmental pollution incidents occurred during the Track Record Period.

The following environmental targets have been established based on industry characteristics and operational realities:

- **Emissions and waste reduction:** Ensure pollutant discharge from operations meets national regulatory standards; maintain compliance with discharge permit requirements; enhance cleaner production systems; strengthen fugitive emission controls.

BUSINESS

- **Energy efficiency:** Reduce electricity consumption per unit of output by over 1% annually; deploy energy-efficient equipment; tighten leak management in compressed air systems.
- **Water efficiency:** Reduce water consumption per unit of output by over 1% annually; monitor pipeline conditions; upgrade automated water replenishment systems; reduce domestic water use; recover and reuse condensed steam.

Emissions

We strictly comply with the Water Law of the People’s Republic of China, Air Pollution Prevention and Control Law, Water Pollution Prevention and Control Law, and Solid Waste Pollution Prevention and Control Law. Environmental protection targets are built into annual business goals and linked to performance reviews. We engage qualified third parties for hazardous waste disposal and commission environmental testing firms to monitor production emissions on-site. Wastewater discharge and exhaust gas emissions fully comply with national standards. All hazardous waste has been properly and legally disposed of, and registered with the national waste management system.

The following table sets out emission data during the Track Record Period:

Indicator	Unit	2023	2024	2025
Exhaust gas emissions	ton	5.86	7.74	7.27
Nitrogen oxides (NOx) emissions	ton	0.26	0.26	0.31
VOCs emissions	ton	5.57	7.45	6.93
Particulate matter emissions . .	ton	0.02	0.02	0.03
Total hazardous waste	ton	409.27	650.33	493.95
Hazardous waste intensity . . .	ton per RMB million revenue	0.56	0.75	0.56
Total non-hazardous waste . . .	ton	1,661.53	1,693.35	1,584.72

Resource Use Management

Our energy management framework is governed by internal policies such as the Energy Management Manual and the Energy Conservation Management Regulations. Main energy types are electricity, water, steam and natural gas. To improve efficiency, several measures were conducted: regular energy management meetings to review progress, upgrading to high-efficiency motors, inverters and LED lighting, optimizing production parameters to cut waste, and adjusting production schedules to avoid idle or low-load equipment operation.

The following table sets out resource consumption data during the Track Record Period:

Indicator	Unit	2023	2024	2025
Total energy consumption	kWh	9,137,757.51	9,873,562.97	9,789,390.25
Energy consumption intensity	kWh per RMB million revenue	12,414.10	11,346.89	11,195.15
Water consumption . .	cubic meter	20,702.00	18,357.00	18,776.00
Water consumption intensity	cubic meter per employee	73.94	66.75	65.42
Packaging materials used	ton	467.31	393.41	341.58
Packaging intensity . .	ton per RMB million revenue	0.63	0.45	0.39
Product packaging recovery rate	%	86.00%	92.10%	93.47%

BUSINESS

Greenhouse Gas Emissions

Our greenhouse gas emissions are classified into three scope categories: (i) Scope 1 includes direct emissions from fuel combustion; (ii) Scope 2 includes indirect emissions from purchased electricity; and (iii) Scope 3 includes other indirect emissions from purchased goods and services and business travel. Emissions are calculated per the GHG Protocol Corporate Standard. Scope 1 and 2 use emission factors applied to activity data from utility bills and meter readings. Scope 3 is estimated via a hybrid approach combining supplier-specific data, industry benchmarks, and spend-based methods.

Data shows that while business scale has continued to grow, total Scope 1 and Scope 2 emissions have remained stable over the past three years.

The following table sets out our greenhouse gas emissions data during the Track Record Period:

Indicator	Unit	2023	2024	2025
Scope 1 GHG emissions	ton of CO ₂ e	78.46	79.76	86.54
Scope 1 GHG emissions intensity	ton of CO ₂ e per employee	0.28	0.29	0.30
Scope 2 GHG emissions	ton of CO ₂ e	2,290.29	2,388.73	2,541.98
Scope 2 GHG emissions intensity	ton of CO ₂ e per employee	8.18	8.69	8.86
Scope 3 GHG emissions	ton of CO ₂ e	112.83	288.08	112.36
Scope 3 GHG emissions intensity	ton of CO ₂ e per employee	0.40	1.05	0.39

Climate Change Response

We recognize that climate change is both a global environmental and social challenge and a key financial factor affecting long-term business resilience and value creation. We have systematically integrated climate change issues into our overall strategic planning and corporate governance frameworks.

We have developed a climate target system covering operations, resources, and energy to drive systemic transformation. These goals will primarily be achieved through self-implemented energy efficiency improvements and renewable energy deployment programs, supported by continuous operational optimization and technological innovation. The specific targets are as follows:

- **Resource efficiency:** With 2023 as the base year, the Company targets a 1% year-on-year reduction in energy intensity (energy consumption per unit of output), and aims to enhance resource recycling efficiency.
- **Green energy:** By 2026, use 100% green certificate electricity to fundamentally reduce Scope 2 emissions.

The Company is currently evaluating the establishment of an internal carbon pricing mechanism. Concurrently, the Company conducts ongoing reviews and refinements of its climate management tools in accordance with regulatory developments and progress toward its emissions targets.

During the Track Record Period, expenses attributable to extreme weather events constituted approximately 0.1% of total expenditure, while associated losses represented approximately 0.4% of annual revenue. We have invested approximately RMB5 million in sustainability-related assets, accounting for 1.2% of total annual capital expenditure, to support energy conservation and emission reduction initiatives. No material financial impacts from transition risks have been identified as of December 31, 2025.

BUSINESS

Product Responsibility

We are committed to integrating product responsibility throughout the full process of design, production, sales, and after-sales, providing customers with safe, reliable, high-quality products and services, and actively protecting privacy and intellectual property. In product quality and safety management, the Company has obtained ISO 9001 quality management system certification. During the Track Record Period, we did not experience any product recalls caused by product safety and health issues.

We have established customer service and complaint handling channels to ensure all complaints are systematically recorded, promptly investigated, and handled with feedback on results provided. We are committed to achieving a 100% complaint closure rate. We strictly follow laws, regulations, and group information security policies. We have incorporated privacy protection into the information security management system, implemented strict controls on personal information, and will continuously improve privacy protection mechanisms. In the field of intellectual property protection, the Company respects and protects its own and third-party intellectual property. The Company strictly prohibits illegal downloading or use of unauthorized copyrighted materials internally, and implements strict access control and management for core technology and trade secrets.

Supply Chain Management

We have embedded sustainability criteria into our supply chain management framework. Our implemented Supplier Management Policy operates on risk-based principles throughout the entire supplier lifecycle. Our Company has instituted rigorous supplier admission mechanisms adhering to integrity and fairness principles, with information security, data protection and other compliance matters constituting mandatory components of the vetting process. In partner selection, preference is accorded to suppliers holding certifications under ISO 9001 quality management and ISO 14001 environmental management systems.

In operations, we systematically identify and manage ESG risks across all supply chain links. We conduct focused audits on high-risk regions and specific raw material suppliers. All suppliers must strictly follow environmental, labour, safety, and business ethics laws. Through a digital platform, we monitor supplier quality and delivery performance. We regularly run performance reviews and site audits. Where technical and commercial requirements are met, we prioritize products and services with environmental certifications, renewable or recyclable materials, and higher energy efficiency.

During the Track Record Period, we maintained broad and stable cooperation with domestic and overseas suppliers. Total suppliers amounted to 380 in 2023, 401 in 2024, and 389 in 2025, with the number of Chinese suppliers being 317 in 2023, 333 in 2024, and 317 in 2025, and overseas suppliers numbered 63 in 2023, 67 in 2024, and 72 in 2025.

Community Engagement

We actively fulfill corporate citizenship responsibilities and firmly believe that business success is closely linked to community prosperity. Through resource investment and volunteer services, we continuously support education, culture, health, and environmental development in our communities. We focus on three areas for community investment: education support, public welfare and charity, and volunteer services. We empower talent development through study tours for employees' children and vocational education. We provide long-term assistance to centers for children with autism and participate in disaster relief. We organize employees to use their spare time for volunteer services such as environmental protection and blood donation.

BUSINESS

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

We may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of our business. Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial cost and diversion of our resources, including our management’s time and attention. See “Risk Factors — Risks Related to Our Business and Industry — Legal proceedings and claims could have a material adverse effect on our business, results of operations, or financial condition.”

During the Track Record Period and up to the Latest Practicable Date, there were no legal proceedings pending or threatened against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition, or results of operations.

Compliance

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any material non-compliance incidents that have led to fines, enforcement actions, or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition, or results of operations.

RISK MANAGEMENT AND INTERNAL CONTROLS

We are exposed to various risks during our operations. We have put in place a set of internal control and risk management policies and procedures to address potential operational, financial, legal and market risks identified in relation to our operations. We also periodically review these procedures to ensure their effectiveness. Our policies and procedures relate to managing our procurement and production, as well as monitoring our sales performance and product quality.

To monitor the ongoing implementation of our risk management policies and corporate governance measures, we have adopted, or will continue to adopt, among other things, the following risk management measures:

- establish a governance structure compliant with the Listing Rules, including a board of directors and three specialized committees thereunder — an Audit Committee, a Nomination and Remuneration Committee, and a Strategy and ESG Committee. For the qualifications and experience of the committee members, see “Directors and Senior Management”;
- establish a complete set of governance policies in alignment with the Listing Rules and the PRC Company Law, including articles of association, rules of procedure for shareholders’ and board meetings, independent director regulations, and detailed rules for each board committee;
- establish a connected transactions decision-making system that defines the scope of related parties, classifies connected transactions, establishes tiered approval authority, and sets out pricing principles, announcement and disclosure requirements;
- establish a financial reporting and information disclosure management system governing the preparation, review, and disclosure of periodic and interim reports, together with an external communication policy to standardize authorized procedures for communications with investors, analysts, and the media;
- establish an independent internal audit department reporting directly to the Audit Committee, together with an internal supervision system based on a three-tier defense mechanism, requiring at least an annual assessment of the effectiveness of our internal control system;

BUSINESS

- adopt a suite of compliance and risk management policies, including policies on risk management, directors’ securities trading, conflict of interest and insider trading prevention, anti-money laundering and counter-terrorist financing, anti-sanctions compliance, whistleblowing with whistleblower protection, and insurance management; and
- strengthen operational and financial controls through, among other things, a financial management system, a contract and seal management system, a legal affairs management system, diversity and ESG policies, compliance training programs for employees and directors, and IT business continuity and information security measures.

AWARDS AND RECOGNITIONS

The table below sets forth major awards and recognitions we received during the Track Record Period.

Award Year	Award/Recognition	Awarding Institution/Authority/Customer
2022	Qingdao Specialized, High-end and Innovation-driven SMEs 青島市專精特新中小企業	Qingdao Municipal Bureau for Private Sector Development & Qingdao Municipal Bureau for Small and Medium-sized Enterprises
2023	‘Authorized Economic Operator’ Certificate 高級認證企業	Qingdao Customs District of the PRC
2023	‘Premium Quality Award’ 品質獎	A German brand of agricultural machinery and tractors
2024	Qingdao Green Factory 青島綠色工廠	Qingdao Municipal Bureau of Industry and Information Technology
2024	Qingdao Integrity Enterprise 青島市誠信企業	Qingdao General Chamber of Commerce
2024	Outstanding Employer and Social Responsibility Award 傑出僱主及社會責任獎	51Job
2024	Best Employer 最佳僱主	Mercer
2024	‘Best Supplier Award’ 最佳供應商	A major manufacturer of mining and construction equipment headquartered in China
2024	‘Excellent Supplier Award’ 優秀供應商	A major manufacturer in China of agricultural equipment
2025	‘Excellent Cooperation’ 合作卓越獎	A world leading manufacturer of construction and mining equipment
2025	‘Excellent Supplier’ 卓越供應商獎	A major international manufacturer of construction equipment in China
2025	‘Quality Contribution Award’ 質量貢獻獎	A leading manufacturer of agricultural machinery and tractors in China
2025	‘Platinum Supplier Award’ 鉑金供應商	A Hong Kong-Shanghai listed manufacturer of construction and mining equipment
2025	‘Supplier Excellence Award’ 優秀供應商獎	A Chinese multinational construction machinery manufacturing company
2025	‘High Quality Parts Supplier’ 零部件優質供應商	HC Construction Machinery Network