

FINANCIAL INFORMATION

The following discussion and analysis should be read in conjunction with the consolidated financial statements and accompanying notes of Carraro China Drive Systems Co. Ltd. (the “Company”) contained in the Accountants’ Report set out in Appendix I to this Document, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet the Company’s expectations and projections depends on a number of risks and uncertainties over which the Company does not have control. Please refer to the sections headed “Risk Factors” and “Forward-Looking Statements” in this Document for further details.

OVERVIEW

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.

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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” and “Relationship with Our Controlling Shareholders”.

BASIS OF PRESENTATION

The financial statements of the Company for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with IFRS Accounting Standards issued by the International Accounting Standards Board.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Expanding our production capacity

Our results of operations are affected by our manufacturing efficiency, production capacity and ability to scale our operations to meet customer demand. Our installed production capacity and utilization rates are key determinants of our operating leverage and cost efficiency. See “Business — Manufacturing — Capacity and Utilization” for more information on our historical capacity utilization levels. These utilization levels require us to expand our production capacity to support anticipated growth in demand. This encompasses additional production lines and manufacturing equipment, as well as supporting infrastructure, including an expanded warehouse facility to accommodate increased inventory 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 in our key end-markets. However, these investments will require significant capital expenditure and management attention, and there can be no assurance that they will be completed on time, within budget, or that they will deliver the anticipated operational and financial benefits.

As we continue to grow our business, we expect to require continued capital expenditure to support our strategic objectives. In 2023, 2024 and 2025, our capital expenditure relating to property, plant and equipment was RMB20.5 million, RMB19.8 million and RMB17.2 million, respectively. We intend to continue investing in strengthening our manufacturing capabilities through a series of targeted initiatives intended to enhance our production scalability, manufacturing flexibility and execution readiness, and to support reliable production ramp-ups for new product variants.

Our planned initiatives include upgrading our CNC machining cells and assembly lines supported by flexible manufacturing systems, implementing in-line monitoring for parts washing processes, and enhancing our assembly operations through the deployment of smart sub-stations and end-of-line testing systems. We also plan to introduce robotics for machining and painting operations supported by AI-based trajectory optimization, adopt electric fastener systems to ensure precise and consistent torque application, and implement an automated storage and retrieval system integrated with a fleet of AGVs to manage material flows on an end-to-end basis. Collectively, these initiatives are intended to enhance our production scalability, manufacturing flexibility and execution readiness, and to support reliable production ramp-ups for new product variants while maintaining stable, on-time delivery to our customers.

Cost management

Our ability to maintain profitability and sustainable growth depends in part on our management of costs. In 2023, 2024 and 2025, our total operating costs were RMB642.0 million, RMB726.9 million and RMB715.0 million, respectively, accounting for 87.2%, 83.5% and 81.8% of our total revenues for the same respective periods. Purchases of goods and materials is the largest component of our total operating costs. In 2023, 2024 and 2025, our purchases of goods and materials were RMB499.0 million, RMB575.1 million and RMB544.1 million, respectively, representing 67.8%, 66.1% and 62.2% of our total revenues in the same years.

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The procurement costs for these materials may fluctuate due to a number of factors beyond our control, such as supply chain disruptions, inflation and changes in global demand, and we are susceptible to significant changes in the availability and price of our goods and materials. Short-term fluctuations in raw material and component prices may temporarily affect our operating costs and margins.

Our cost management efforts are supported by our localization strategy, which focuses on developing a predominantly domestic supply base in China. In 2023, 2024 and 2025, domestic sources accounted for 78.9%, 80.8% and 84.1% of our total purchases of goods and materials. By sourcing the majority of materials and components locally, we seek to secure stable supplies at competitive prices, shorten lead times and enhance supply chain resilience, which mitigates our exposure to global supply volatility and supports margin stability.

Market demand for our products

Our financial performance is significantly affected by demand for off-highway construction equipment and agricultural machinery, the principal downstream industries to which we supply our products. Our revenue growth depends on the volume of equipment and machinery produced by our customers, which in turn is primarily driven by end-market demand in the construction equipment and agricultural machinery application markets.

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. In 2023, 2024 and 2025, revenue from construction equipment was RMB376.5 million, RMB567.9 million and RMB606.7 million, respectively, accounting for 51.2%, 65.3% and 69.4% of our total revenues in the same years, while revenue from agricultural machinery was RMB270.7 million, RMB242.0 million and RMB220.2 million, respectively, accounting for 36.8%, 27.8% and 25.2% of our total revenues, and revenue from mixed applications and material handling accounted for the remainder. Our diversified product portfolio across multiple application markets and applications reduces our dependency on any single end-market, allowing us to capture growth opportunities and balance cyclical fluctuations.

The construction equipment and agricultural machinery industries have historically been subject to significant cyclical fluctuations. In the construction equipment application market, the Chinese market has undergone a structural shift. Historically, the market was dominated by heavy machinery serving massive infrastructure projects. However, following extensive infrastructure development across China, the market has increasingly shifted toward a maintenance-driven phase characterized by smaller-scale construction and maintenance projects, more fragmented job sites and diverse project requirements. This shift is driving rising demand for light and compact construction equipment – a segment for which our axle and transmission systems are well suited. In the agricultural machinery application market, demand is increasing for high-end, high-HP tractors equipped with automatic gear-shifting systems, driven by a declining agricultural workforce and the increasing scale of farming operations in rural China. These market dynamics also reflect a growing emphasis among smaller farmers on operator comfort and automation, favoring tractors that offer greater efficiency, reliability and ease of operation – attributes that our driveline products are engineered to deliver. We believe these structural trends present growth opportunities for our business, although there can be no assurance that such trends will continue or that we will be able to capitalize on them.

Expanding and renewing our product portfolio

A central pillar of our strategy is the development of new products through structured, multi-year platform programs – referred to internally as market “waves” — that progressively expand our product offering across new applications and market segments. Over the past five years, this product roadmap has enabled us to launch 30 new products, contributing to a near doubling of our revenue and significantly strengthening our market presence in the construction equipment and agricultural machinery application markets. These market waves have included both premium and cost-optimized variants, allowing us to

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address diverse customer requirements while expanding into medium- and light-duty construction equipment, compact applications and electrification-ready platforms. Our ability to continue developing technologically-advanced products and responding to evolving market trends, including the shift toward electrified and intelligent driveline solutions, will be a key determinant of our future revenue growth and competitive position.

Strong long-term relationships with customers and suppliers

Our results of operations are significantly influenced by our ability to develop and maintain strong, long-term relationships with our customers and suppliers. With over 20 years of operating history in China, we have developed deep partnerships with leading manufacturers in the construction equipment and agricultural machinery application markets. Our products are highly customized and mission-critical to the performance, efficiency, durability and safety of our customers' machinery and equipment, which supports long-term collaborative relationships.

A key driver of our revenue growth is our ability to deepen our relationships with existing customers by expanding the range of products we supply to them. As our customers develop new vehicle or equipment models or enter new application segments, we seek to cross-sell additional products from our portfolio – for example, by supplying transmissions to a customer that initially purchased only axles, or by introducing products for new equipment platforms such as telehandlers or MEWPs alongside existing backhoe loader programs. 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 and transmissions for four-wheel steering backhoe loaders, many of which were developed in close collaboration with existing customers. This evolution of our customer relationships – from single-product engagements to multi-product, multi-platform partnerships – has been a significant contributor to our revenue growth. Our broad product range and system-level capabilities position us as a preferred one-stop partner for customers seeking a single supplier across multiple applications, creating significant economies of scope.

We also maintain strong, long-term relationships with our suppliers, which are critical to ensuring a stable supply of high-quality materials and components at competitive prices. We generally enter into long-term agreement with local suppliers, with a price list subject to periodic updates due to fluctuations in raw material prices, and we provide rolling forecasts of product requirements to assist suppliers in planning production capacity. We select and monitor our suppliers based on our internal QCDD (Quality, Cost, Delivery, Development) metrics, and we engage with them at periodic intervals to strengthen existing relationships, including through value analysis and engineering consulting services, hosting supplier meetings to share our future plans, and presenting supplier awards. Our ability to maintain and further develop these supplier relationships will directly affect our capacity to manage input costs effectively and to accelerate the development of new products, as close collaboration with suppliers enables us to secure priority access to new materials and technologies, and reduce lead times for prototyping and validation.

MATERIAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

The preparation of our historical financial information requires our management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Such judgments, estimates and assumptions are regularly evaluated and are based on historical experience and various other factors, including expectations of future events, that are believed to be reasonable under the circumstances, from which our actual results may differ.

See Notes 4, 5 and other notes to the relevant financial line items or transactions to the Accountants' Report set out in Appendix I to this Document for a detailed description of our material accounting policies, judgments, estimates and assumptions.

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STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth a summary of our statements of profit or loss for the years indicated:

	For the year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
REVENUES			
Products	731,241	860,285	871,993
Services	4,557	9,699	1,973
Other revenues	281	172	465
TOTAL REVENUES	736,079	870,156	874,431
OPERATING COSTS			
Purchases of goods and materials	498,995	575,099	544,055
Change in inventories	2,922	(9,989)	(5,137)
Services	42,601	50,272	56,104
Royalty fees	21,366	29,901	35,105
Personnel costs	59,348	64,788	67,424
Depreciation of property, plant and equipment	13,971	13,667	13,285
Amortization of intangible assets	1,064	1,100	1,012
Warranty provisions	1,408	2,148	2,223
Other income and expenses	353	(118)	889
TOTAL OPERATING COSTS	642,028	726,868	714,960
OPERATING PROFIT	94,051	143,288	159,471
Other financial income	1,112	943	708
Financial costs and expenses	(1,439)	(2,174)	(585)
Net gains (losses) on foreign exchange	429	(662)	505
NET GAINS (LOSSES) ON FINANCIAL ASSETS/LIABILITIES	102	(1,893)	628
PROFIT BEFORE TAX	94,153	141,395	160,099
Current and deferred income taxes	(23,757)	(35,513)	(40,173)
PROFIT FOR THE YEAR	70,396	105,882	119,926
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	70,396	105,882	119,926

NON-IFRS FINANCIAL MEASURES

To supplement our financial statements presented in accordance with IFRSs, we consider and use EBITDA (non-IFRS), Adjusted EBITDA (non-IFRS) and Adjusted EBITDA (non-IFRS) Margin as additional financial measures, which are not required by, or presented in accordance with IFRS. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company and provide useful information to [REDACTED] and others in understanding and evaluating our operating performance in the same manner as it helps our management. However, our presentation of EBITDA (non-IFRS), Adjusted EBITDA (non-IFRS) and Adjusted EBITDA (non-IFRS) Margin may not be comparable to similarly titled measures presented by other companies. The use of the non-IFRS measure has limitations as an analytical tool, and [REDACTED] should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

We define EBITDA (non-IFRS) as profit for the year adjusted by current and deferred income taxes, net gains (losses) on foreign exchange, financial costs and expenses, other financial income, depreciation of property, plant and equipment and amortization of intangible assets. Adjusted EBITDA (non-IFRS) is calculated as EBITDA (non-IFRS) further adjusted by adding back [REDACTED] related to the [REDACTED]. Adjusted EBITDA (non-IFRS) Margin is calculated as Adjusted EBITDA (non-IFRS) over total revenues.

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The following table presents a reconciliation of our profit for the year, the most directly comparable financial measure presented in accordance with IFRS, to EBITDA (non-IFRS) and Adjusted EBITDA (non-IFRS):

	For the year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	70,396	105,882	119,926
Non-IFRS adjustments:			
Current and deferred income taxes	23,757	35,513	40,173
Net (gains) losses on foreign exchange	(429)	662	(505)
Financial costs and expenses	1,439	2,174	585
Other financial income	(1,112)	(943)	(708)
Depreciation of property, plant and equipment	13,971	13,667	13,285
Amortization of intangible assets	1,064	1,100	1,012
EBITDA (non-IFRS)	109,086	158,055	173,768
Add:			
[REDACTED]	–	–	[REDACTED]
Adjusted EBITDA (non-IFRS)	109,086	158,055	175,611
Divided by:			
Total revenues	736,079	870,156	874,431
Adjusted EBITDA (non-IFRS) Margin	14.8%	18.2%	20.1%

Our revenue increased during the Track Record Period, primarily driven by growth in the construction equipment application market, reflecting increasing demand for our construction equipment steering axles. This growth was partially offset by a decrease in sales from the agricultural machinery application market due to declining demand for our agricultural machinery axles amid weakening conditions in the agricultural industry. Overall, the pricing of our products remained broadly stable.

During the Track Record Period, our Adjusted EBITDA (non-IFRS) Margin increased from 14.8% in 2023 to 18.2% in 2024 and further to 20.1% in 2025. This margin expansion was primarily driven by a decrease in purchases of goods and materials as a percentage of total revenues, which declined from 67.8% to 66.1% and further to 62.2% over the same periods. This decrease was mainly attributable to our localization efforts, with domestic sources accounting for 78.9%, 80.8%, and 84.1% of our total purchases of goods and materials in 2023, 2024, and 2025, respectively.

As a result of the foregoing, our Adjusted EBITDA (non-IFRS) increased at a CAGR of 26.9%, outpacing the growth in our revenue, which recorded a CAGR of 9.0%, during the Track Record Period.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenues

Our revenues are primarily derived from the sale of products (axles and transmissions for construction equipment and agricultural machinery manufactured by us to manufacturers of construction equipment and agricultural machinery in China and to the Carraro Group). During the Track Record Period, revenue from products represented the vast majority of our total revenues, accounting for approximately 99.3%, 98.9% and 99.7% of our total revenues in 2023, 2024 and 2025, respectively.

Products. Revenue from products consists primarily of sales of axles, transmissions, and components manufactured by us. Revenue from products is recognized at the time of the transfer of control of the goods, which in most cases occurs when the goods are taken over by the carrier (which may alternatively be a ship).

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Services. Revenue from services consists primarily of development and related services for customers on engineering of driveline products, especially concerning product customization for the China market. Such services are recognized as a performance obligation satisfied over time. During the Track Record Period, revenue from services accounted for approximately 0.6%, 1.1%, 0.2% of our total revenues in 2023, 2024 and 2025, respectively.

Other revenues. Other revenues primarily consisted of revenue from freight charges.

Revenue by Product Type and Application Market

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

Notes:

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

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Revenue by Delivery Destination

The following table sets forth the breakdown of our total revenues 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	
	<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>
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

During the Track Record Period, a majority of our revenue was generated from deliveries in China, which accounted for 60.9%, 73.8% and 72.4% of our total revenues in 2023, 2024 and 2025, respectively. The proportion of revenue generated from deliveries in China increased from 2023 to 2024 and remained relatively stable in 2025, primarily due to our focus on the Chinese mainland market. Revenue from deliveries to the Americas represented our second largest geographic market, accounting for 19.1%, 15.0% and 16.6% of our total revenues in 2023, 2024 and 2025, respectively.

Operating Costs

Our operating costs primarily consist of (i) purchases of goods and materials, (ii) change in inventories, (iii) services, (iv) royalty fees, (v) personnel costs, (vi) depreciation and amortization, (vii) warranty provisions, and (viii) other income and expenses. During the Track Record Period, operating costs accounted for 87.2%, 83.5% and 81.8% of our total revenues in 2023, 2024 and 2025, respectively.

The following table sets forth our operating costs breakdown by nature in absolute amounts and as a percentage of our total operating costs for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	<i>% of total operating costs</i>	<i>RMB'000</i>	<i>% of total operating costs</i>	<i>RMB'000</i>	<i>% of total operating costs</i>
Purchases of goods and materials	498,995	77.8	575,099	79.2	544,055	76.2
Change in inventories	2,922	0.5	(9,989)	(1.4)	(5,137)	(0.7)
Services	42,601	6.6	50,272	6.9	56,104	7.8
Royalty fees	21,366	3.3	29,901	4.1	35,105	4.9
Personnel costs	59,348	9.2	64,788	8.9	67,424	9.4
Depreciation and amortization	15,035	2.3	14,767	2.0	14,297	2.0
Warranty provisions	1,408	0.2	2,148	0.3	2,223	0.3
Other income and expenses	353	0.1	(118)	0.0	889	0.1
Total operating costs	642,028	100.0	726,868	100.0	714,960	100.0

Purchases of Goods and Materials

Purchases of goods and materials primarily consist of purchases of raw materials and other production costs. This represented our largest operating cost component, accounting for 77.8%, 79.2% and 76.2% of our total operating costs in 2023, 2024 and 2025, respectively. We mainly purchase raw materials such as castings, steel components such as gears and shafts, bearings, hydraulic parts, and other materials such as lubricants, oils and paints. Other production costs primarily comprise purchase of consumable tools for production and maintenance.

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The following table sets forth our purchases of goods and materials breakdown for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	% of purchases of goods and materials	RMB'000	% of purchases of goods and materials	RMB'000	% of purchases of goods and materials
Purchases of raw materials	485,547	97.3	561,288	97.6	528,826	97.2
Other production costs	13,448	2.7	13,811	2.4	15,229	2.8
Purchases of goods and materials	498,995	100.0	575,099	100.0	544,055	100.0

Changes in inventories

Change in inventories represents the movement in the cost of inventories during the year, including changes in raw materials, work in progress and finished goods, as well as provisions for slow-moving inventories. An operating cost arising from changes in inventories is reflected as a credit (i.e., a decrease in operating costs) in the statement of profit and loss when inventory increases, as a portion of the production or purchase costs incurred during the period is capitalized as inventory rather than recognized in operating costs, and as a debit (i.e., an increase in operating costs) when inventory decreases, as previously capitalized costs are recognized in operation costs.

Services

Services primarily consist of general overheads (which primarily consists of utilities costs and corporate services), services for production (which primarily consists of payments to third parties for outsourced manufacturing services, machinery and maintenance) and freight and other sales services. During the Track Record Period, services costs accounted for 6.6%, 6.9% and 7.8% of our total operating costs in 2023, 2024 and 2025, respectively. Services includes [REDACTED], which represent professional fees and other fees incurred in connection with the [REDACTED]. During the Track Record Period, we incurred [REDACTED] of RMB1.8 million in 2025.

The following table sets forth our services costs breakdown for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	% of services	RMB'000	% of services	RMB'000	% of services
General overheads	18,432	43.3	21,005	41.8	25,248	45.0
Services for production	15,858	37.2	18,410	36.6	16,319	29.1
Freight and other sales services	8,161	19.2	10,707	21.3	12,544	22.4
[REDACTED]	—	—	—	—	[REDACTED]	[REDACTED]
Auditor’s remuneration	150	0.3	150	0.3	150	0.2
Services	42,601	100.0	50,272	100.0	56,104	100.0

Royalty Fees

Royalty fees represent fees paid to our related parties, CDTI and Carraro S.p.A., for the use of intellectual property and technical know-how (collectively, “IP”). Following the IP Transfer, we ceased paying royalties with respect to IP included within the IP Transfer, and will continue to pay royalties for certain products not transferred from Carraro S.p.A under a sub license agreement with CDTI. In addition, we will incur engineering services fees from the Carraro Group to support our optimization of the products subject to the IP Transfer. During the Track Record Period, royalty fees accounted for 3.3%, 4.1% and 4.9% of our total operating costs in 2023, 2024 and 2025, respectively. For further information, see “Business — Intellectual Property” and “Connected Transactions”.

Personnel Costs

Personnel costs primarily consist of directors’ and supervisors’ remuneration, salaries, bonuses and other benefits, and retirement benefit scheme contributions. During the Track Record Period, personnel costs accounted for 9.2%, 8.9% and 9.4% of our total operating costs in 2023, 2024 and 2025, respectively.

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The following table sets forth our personnel costs breakdown for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	% of personnel costs	RMB'000	% of personnel costs	RMB'000	% of personnel costs
Directors' and supervisor's remuneration	2,321	3.9	1,937	3.0	2,662	3.9
Other staff costs:						
– Salaries, bonuses and other benefits	56,885	95.8	62,666	96.7	64,589	95.8
– Retirement benefit scheme contributions	142	0.3	185	0.3	173	0.3
Personnel costs	59,348	100.0	64,788	100.0	67,424	100.0

Depreciation and Amortization

Depreciation and amortization primarily consist of depreciation of property, plant and equipment and amortization of intangible assets.

The following table sets forth our depreciation and amortization breakdown for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	% of depreciation and amortization	RMB'000	% of depreciation and amortization	RMB'000	% of depreciation and amortization
Depreciation of property, plant and equipment	13,971	92.9	13,667	92.6	13,285	92.9
Amortization of intangible assets	1,064	7.1	1,100	7.4	1,012	7.1
Depreciation and amortization	15,035	100.0	14,767	100.0	14,297	100.0

See Note 13 to the Accountants' Report in Appendix I for a description of the method of depreciation for our assets.

Warranty Provisions

Warranty provisions represent the estimated costs of fulfilling our warranty obligations in respect of products sold during the year.

Other Income and Expenses

Other income and expenses primarily consist of government grants, amounts charged to suppliers for quality defects, property tax, stamp duty and other miscellaneous operating income and expenses.

Operating Profit

Operating profit represents our total revenues less our total operating costs. Our operating profit increased from RMB94.1 million in 2023 to RMB143.3 million in 2024, representing an increase of 52.4%, and further increased to RMB159.5 million in 2025, representing an increase of 11.3% from 2024.

Our Operating Profit Margin improved from 12.8% in 2023 to 16.5% in 2024, and further improved to 18.2% in 2025. This was primarily driven by (i) increased sales volume across key product categories, which led to economies of scale, and (ii) a decrease in purchases of goods and materials as a percentage of total revenues due to our localization efforts.

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Net Gains (Losses) on Financial Assets/Liabilities

Net gains (losses) on financial assets/liabilities primarily consist of (i) other financial income, (ii) financial costs and expenses, and (iii) net gains or losses on foreign exchange.

The following table sets forth a breakdown of our gains (losses) on financial assets/liabilities for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	<i>% of total gains (losses) on financial assets/liabilities</i>	<i>RMB'000</i>	<i>% of total gains (losses) on financial assets/liabilities</i>	<i>RMB'000</i>	<i>% of total gains (losses) on financial assets/liabilities</i>
Other financial income	1,112	1,090.2	943	(49.8)	708	112.7
Financial costs and expenses	(1,439)	(1,410.8)	(2,174)	114.8	(585)	(93.1)
Net gains (losses) on foreign exchange	429	420.6	(662)	35.0	505	80.4
Total gains (losses) on financial assets/liabilities	102	100.0	(1,893)	100.0	628	100.0

Other financial income. Other financial income consists of interest income from bank current accounts and deposits.

Financial costs and expenses. Financial costs and expenses primarily consist of interests on bank borrowings and other ancillary costs.

The following table sets forth a breakdown of our financial costs and expenses for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	<i>% of finance costs and expenses</i>	<i>RMB'000</i>	<i>% of finance costs and expenses</i>	<i>RMB'000</i>	<i>% of finance costs and expenses</i>
Interests on bank borrowings	(1,168)	81.2	(1,753)	80.6	(322)	55.0
Others	(271)	18.8	(421)	19.4	(263)	45.0
Financial costs and expenses	(1,439)	100.0	(2,174)	100.0	(585)	100.0

Net gains (losses) on foreign exchange. Net gains (losses) on foreign exchange arise from the settlement and translation of monetary assets and liabilities denominated in foreign currencies, primarily US dollars and Euros. We recorded net foreign exchange gains of RMB429,000 in 2023, net foreign exchange losses of RMB662,000 in 2024, and net foreign exchange gains of RMB505,000 in 2025.

Current and Deferred Income Taxes

Our income tax expense represents current income tax and deferred income tax. Under the EIT Law and Implementation Regulation of the EIT Law, our applicable enterprise income tax rate is 25%.

The following table sets forth a breakdown of our income tax expense for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	<i>% of current and deferred income taxes</i>	<i>RMB'000</i>	<i>% of current and deferred income taxes</i>	<i>RMB'000</i>	<i>% of current and deferred income taxes</i>
Current income tax	23,237	97.8	34,545	97.3	37,878	94.3
Deferred income tax	520	2.2	968	2.7	2,295	5.7
Current and deferred income taxes	23,757	100.0	35,513	100.0	40,173	100.0

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Our income tax expense increased from RMB23.8 million in 2023 to RMB35.5 million in 2024, and further increased to RMB40.2 million in 2025, generally in line with the increase in our profit before tax.

Profit for the Year

As a result of the foregoing, our profit for the year increased from RMB70.4 million in 2023 to RMB105.9 million in 2024, representing an increase of 50.4%, and further increased to RMB119.9 million in 2025, representing an increase of 13.3% from 2024. Our Net Profit Margin improved from 9.6% in 2023 to 12.2% in 2024, and further improved to 13.7% in 2025, primarily reflecting the improvement in our Operating Profit Margin over the Track Record Period, and demonstrating our enhanced overall financial performance.

PERIOD-TO-PERIOD COMPARISON

Year Ended December 31, 2025 Compared with Year Ended December 31, 2024

Revenue

Our total revenues remained relatively stable at RMB870.2 million in 2024 and RMB874.4 million in 2025. Revenue from products slightly increased by 1.4% from RMB860.3 million in 2024 to RMB872.0 million in 2025, primarily due to an increase in revenue from construction equipment, which grew by 6.8%, or RMB38.8 million, partially offset by declines in agricultural machinery of 9.0%, or RMB21.8 million and mixed applications of 20.1%, or RMB5.0 million and material handling of 39.9%, or RMB10.3 million.

The increase in construction equipment revenue was primarily driven by an increase in sales volume of construction equipment steering axles from approximately 20,600 units in 2024 to approximately 24,200 units in 2025.

Revenue from agricultural machinery declined primarily due to weaker domestic and global market conditions, including a downturn in the cotton industry and reduced demand as a result of extreme weather conditions. This resulted in a decrease in sales of agricultural machinery front steering axles from approximately 13,700 units in 2024 to approximately 12,600 units in 2025. Overall, pricing of our products remained broadly stable in both 2024 and 2025.

Revenue from services decreased by 79.7% from RMB9.7 million in 2024 to RMB2.0 million in 2025, primarily due to reduced engineering service projects during the year due to the completion of a significant engineering contract in 2024.

Other revenues increased from RMB172,000 in 2024 to RMB465,000 in 2025.

Operating Costs

Our total operating costs decreased by 1.6% from RMB726.9 million in 2024 to RMB715.0 million in 2025. The decrease was primarily attributable to lower purchases of goods and materials, partially offset by increases in services costs, royalty fees and personnel costs.

Purchases of goods and materials. Purchases of goods and materials decreased by 5.4% from RMB575.1 million in 2024 to RMB544.1 million in 2025, primarily due to lower raw material costs. Purchases of raw materials decreased from RMB561.3 million in 2024 to RMB528.8 million in 2025 primarily due to improved procurement efficiency. Purchases of goods and materials as a percentage of total revenues decreased from 66.1% in 2024 to 62.2% in 2025 primarily due to increased supply chain localization. Domestic sources accounted for 80.8% and 84.1% of our total purchases of goods and materials in 2024 and 2025, respectively.

Change in inventories. The credit to operating costs from change in inventories decreased from RMB10.0 million in 2024 to RMB5.1 million in 2025, reflecting lower inventory drawdown compared to the prior year.

Services. Services costs increased by 11.6% from RMB50.3 million in 2024 to RMB56.1 million in 2025, primarily due to higher general overheads which increased from RMB21.0 million in 2024 to RMB25.2 million in 2025 primarily due to an increase in operational consulting services in connection with transactions in anticipation of the [REDACTED] on the Stock Exchange. We also incurred [REDACTED] of [REDACTED] in 2025 in connection with the [REDACTED] on the Stock Exchange. No such expenses were incurred in 2024.

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Royalty fees. Royalty fees increased by 17.4% from RMB29.9 million in 2024 to RMB35.1 million in 2025 primarily due to product development support in anticipation of new business.

Personnel costs. Personnel costs increased by 4.1% from RMB64.8 million in 2024 to RMB67.4 million in 2025, primarily due to an increase in the number of employees. Other staff costs, including salaries, bonuses and other benefits increased from RMB62.7 million in 2024 to RMB64.6 million in 2025.

Depreciation and amortization. Depreciation and amortization decreased by 3.2% from RMB14.8 million in 2024 to RMB14.3 million in 2025, primarily due to certain assets becoming fully depreciated during the year.

Warranty provisions. Warranty provisions remained relatively stable, increasing from RMB2.1 million in 2024 to RMB2.2 million in 2025.

Other income and expenses. Other income and expenses changed from a gain of RMB118,000 in 2024 to an expense of RMB889,000 in 2025.

Operating Profit

Operating profit increased by 11.3% from RMB143.3 million in 2024 to RMB159.5 million in 2025, despite total revenues increasing only slightly by 1.4% over the same period. Operating Profit Margin expanded from 16.5% to 18.2%, primarily reflecting operating leverage and a reduction in operating expenses as a percentage of total revenues. Such improvement was driven in part by a decrease in purchases of goods and materials as a percentage of total revenues, consistent with increased supply chain localization and a higher proportion of domestic sourcing.

Net Gains (Losses) on Financial Assets/Liabilities

We recorded net gains on financial assets/liabilities of RMB628,000 in 2025, compared to net losses of RMB1.9 million in 2024.

Other financial income. Other financial income decreased by 24.9% from RMB943,000 in 2024 to RMB708,000 in 2025.

Financial costs and expenses. Financial costs and expenses decreased by 73.1% from RMB2.2 million in 2024 to RMB585,000 in 2025, primarily due to lower average bank borrowings during the year. Interests on bank borrowings decreased from RMB1.8 million in 2024 to RMB322,000 in 2025.

Net gains (losses) on foreign exchange. We recorded net translational foreign exchange losses of RMB662,000 in 2024, compared to net translational foreign exchange gains of RMB505,000 in 2025.

Income Tax Expense

Our income tax expense increased by 13.1% from RMB35.5 million in 2024 to RMB40.2 million in 2025, generally in line with the increase in our profit before tax. The Company is subject to enterprise income tax in the PRC at a rate of 25% under the EIT Law and Implementation Regulation of the EIT Law.

Profit for the Year

Profit for the year increased by 13.3% from RMB105.9 million in 2024 to RMB119.9 million in 2025, primarily reflecting the increase in operating profit during the period, while non-operating items remained relatively stable. The increase in profit for the year was broadly in line with the improvement in operating profit. As a result, our Net Profit Margin improved from 12.2% in 2024 to 13.7% in 2025.

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Year Ended December 31, 2024 Compared with Year Ended December 31, 2023

Revenue

Our total revenues increased by 18.2% from RMB736.1 million in 2023 to RMB870.2 million in 2024. The increase was primarily driven by strong growth in the construction equipment application markets.

Revenue from products increased by 17.6% from RMB731.2 million in 2023 to RMB860.3 million in 2024, primarily driven by a significant increase in construction equipment revenue of 50.8%, or RMB191.4 million, partially offset by declines in agricultural machinery of 10.6%, or RMB28.8 million, mixed applications of 42.0%, or RMB17.9 million, and material handling of 37.8%, or RMB15.7 million.

The increase in revenue from construction equipment was primarily due to increased sales of our construction equipment steering axles from approximately 12,700 units in 2023 to approximately 20,600 units in 2024. Revenue from agricultural machinery decreased due to a globally weaker agricultural industry, with sales of our agricultural rear steering axles decreasing from approximately 1,300 units in 2023 to 600 units in 2024. Overall, pricing of our products remained broadly stable in both 2023 and 2024.

Revenue from services increased from RMB4.6 million in 2023 to RMB9.7 million in 2024, primarily due to a significant engineering contract in 2024.

Other revenues decreased from RMB281,000 in 2023 to RMB172,000 in 2024.

Operating Costs

Our total operating costs increased by 13.2% from RMB642.0 million in 2023 to RMB726.9 million in 2024. The increase was primarily attributable to higher purchases of goods and materials, services costs, royalty fees and personnel costs in line with our revenue growth.

Purchases of goods and materials. Purchases of goods and materials increased by 15.3% from RMB499.0 million in 2023 to RMB575.1 million in 2024, primarily due to increased production volumes to meet higher customer demand. Purchases of goods and materials as a percentage of total revenues decreased from 67.8% in 2023 to 66.1% in 2024 primarily due to increased supply chain localization. Domestic sources accounted for 78.9% and 80.8% of our total purchases of goods and materials in 2023 and 2024, respectively. In addition, we benefited from economy of scale as a result of increased volume of axle sales.

Change in inventories. We recorded a charge of change in inventories of RMB2.9 million in 2023, compared to a credit of change in inventories of RMB10.0 million in 2024, reflecting higher inventory drawdown compared to the prior year.

Services. Services costs increased by 18.0% from RMB42.6 million in 2023 to RMB50.3 million in 2024, primarily due to higher general overheads which increased from RMB18.4 million in 2023 to RMB21.0 million in 2024, higher services for production which increased from RMB15.9 million to RMB18.4 million, and higher freight and other sales services which increased from RMB8.2 million to RMB10.7 million. The increases were in line with the increase in revenue.

Royalty fees. Royalty fees increased by 39.9% from RMB21.4 million in 2023 to RMB29.9 million in 2024, reflecting higher royalty payments substantially in line with increased revenue in China.

Personnel costs. Personnel costs increased by 9.2% from RMB59.3 million in 2023 to RMB64.8 million in 2024, primarily due to an increase in the number of employees to support our business growth. Other staff costs, including salaries, bonuses, and other benefits increased from RMB56.9 million in 2023 to RMB62.7 million in 2024.

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Depreciation and amortization. Depreciation and amortization decreased by 1.8% from RMB15.0 million in 2023 to RMB14.8 million in 2024, primarily due to certain assets becoming fully depreciated during the year.

Warranty provisions. Warranty provisions increased from RMB1.4 million in 2023 to RMB2.1 million in 2024, generally in line with the growth in our product sales.

Other income and expenses. Other income and expenses changed from an expense of RMB353,000 in 2023 to a gain of RMB118,000 in 2024.

Operating Profit

Operating profit increased by 52.4% from RMB94.1 million in 2023 to RMB143.3 million in 2024, significantly outpacing total revenues growth over the same period. Operating Profit Margin expanded from 12.8% to 16.5%, primarily reflecting operating leverage and improved operational efficiency. Such improvement was driven by significant increases in production volumes, particularly in construction equipment applications, including steering axles and transmissions, which enabled economies of scale, as well as a decrease in purchases of goods and materials as a percentage of revenue, consistent with increased supply chain localization resulting from a higher proportion of domestic sourcing.

Net Gains (Losses) on Financial Assets/Liabilities

We recorded net gains on financial assets/liabilities of RMB102,000 in 2023, compared to net losses of RMB1.9 million in 2024.

Other financial income. Other financial income remained stable at RMB1.1 million in 2023 to RMB943,000 in 2024.

Financial costs and expenses. Financial costs and expenses increased by 51.1% from RMB1.4 million in 2023 to RMB2.2 million in 2024, primarily due to higher average bank borrowings during the year. Interests on bank borrowings increased from RMB1.2 million in 2023 to RMB1.8 million in 2024.

Net gains (losses) on foreign exchange. We recorded net translational foreign exchange gains of RMB429,000 in 2023, compared to net translational foreign exchange losses of RMB662,000 in 2024.

Income Tax Expense

Our income tax expense increased by 49.5% from RMB23.8 million in 2023 to RMB35.5 million in 2024, generally in line with the increase in our profit before tax. The Company is subject to enterprise income tax in the PRC at a rate of 25% under the EIT Law and Implementation Regulation of the EIT Law.

Profit for the Year

Profit for the year increased by 50.4% from RMB70.4 million in 2023 to RMB105.9 million in 2024, primarily reflecting the increase in operating profit during the period, partially offset by a change from net gains to net losses on financial assets/liabilities. As a result, our Net Profit Margin improved from 9.6% in 2023 to 12.2% in 2024.

Profit for the Year

As a result of the foregoing, our profit for the year increased from RMB70.4 million in 2023 to RMB105.9 million in 2024, representing an increase of 50.4%, and further increased to RMB119.9 million in 2025, representing an increase of 13.3% from 2024. Our Net Profit Margin improved from 9.6% in 2023 to 12.2% in 2024, and further improved to 13.7% in 2025, primarily reflecting the improvement in our Operating Profit Margin over the Track Record Period, and demonstrating our enhanced overall financial performance.

Discussion On Key Items Of Statements Of Financial Position

The following table sets forth selected information from our statements of financial position as at the dates indicated, which has been extracted from our audited financial statements included in Appendix I to this Document.

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	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total current assets	329,848	453,966	635,378
Total non-current assets	111,788	116,693	119,588
Total assets	441,636	570,659	754,966
Total current liabilities	218,963	301,986	336,347
Total non-current liabilities	13,758	17,740	47,760
Total liabilities	232,721	319,726	384,107
Net assets	208,915	250,933	370,859
Total shareholders' equity	208,915	250,933	370,859

Our total assets increased from RMB441.6 million as at December 31, 2023 to RMB570.7 million as at December 31, 2024, and further increased to RMB755.0 million as at December 31, 2025.

Our net current assets (total current assets less total current liabilities) increased from RMB110.9 million as at December 31, 2023 to RMB152.0 million as at December 31, 2024, and further increased to RMB299.0 million as at December 31, 2025.

Current Assets and Current Liabilities

The following table sets forth our current assets and current liabilities as at the dates indicated:

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current assets			
Inventories	101,197	111,186	116,323
Trade, bills and other receivables	108,208	138,799	172,195
Cash and cash equivalents	120,443	203,981	346,860
Total current assets	329,848	453,966	635,378
Current liabilities			
Financial liabilities	4,517	13,029	11,131
Trade payables and other payables	201,205	255,056	300,762
Contract liabilities	4,906	24,741	14,150
Income tax payables	4,341	6,843	8,756
Provisions for risk and liabilities	3,994	2,317	1,548
Total current liabilities	218,963	301,986	336,347
Net current assets	110,885	151,980	299,031

Our total current assets increased from RMB329.8 million as at December 31, 2023 to RMB454.0 million as at December 31, 2024, and further increased to RMB635.4 million as at December 31, 2025. The increase was primarily attributable to (i) an increase in cash and cash equivalents from RMB120.4 million as at December 31, 2023 to RMB204.0 million as at December 31, 2024 and RMB346.9 million as at December 31, 2025; (ii) an increase in trade, bills and other receivables from RMB108.2 million as at December 31, 2023 to RMB138.8 million as at December 31, 2024 and RMB172.2 million as at December 31, 2025; and (iii) an increase in inventories from RMB101.2 million as at December 31, 2023 to RMB111.2 million as at December 31, 2024 and RMB116.3 million as at December 31, 2025.

Our total current liabilities increased from RMB219.0 million as at December 31, 2023 to RMB302.0 million as at December 31, 2024, and further increased to RMB336.3 million as at December 31, 2025. The increase was primarily attributable to (i) an increase in trade payables and other payables from RMB201.2 million as at December 31, 2023 to RMB255.1 million as at December 31, 2024 and

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RMB300.8 million as at December 31, 2025; (ii) an increase in contract liabilities from RMB4.9 million as at December 31, 2023 to RMB24.7 million as at December 31, 2024, and a decrease to RMB14.2 million as at December 31, 2025; and (iii) an increase in financial liabilities from RMB4.5 million as at December 31, 2023 to RMB13.0 million as at December 31, 2024, and a decrease to RMB11.1 million as at December 31, 2025.

Assets

Inventories

Our inventories primarily consisted of raw materials, work in progress and finished goods.

The following table sets out a breakdown of our inventories as at the dates indicated:

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	77,526	86,917	95,225
Work in progress	23,061	21,695	17,716
Finished goods	10,253	14,371	13,671
Inventories – gross value	110,840	122,983	126,612
Inventory provision	(9,643)	(11,797)	(10,289)
Total inventories	101,197	111,186	116,323

Our inventories increased by 9.9% from RMB101.2 million as at December 31, 2023 to RMB111.2 million as at December 31, 2024, and further increased by 4.6% to RMB116.3 million as at December 31, 2025.

As at December 31, 2023, 2024 and 2025, we recorded provision for inventories of RMB9.6 million, RMB11.8 million and RMB10.3 million, respectively, reflecting year-end assessments of obsolete inventory.

The following table sets out the movements in provisions for inventories during the Track Record Period:

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Opening balance	9,919	9,643	11,797
Write-down	1,164	5,543	2,837
Realization of sales	(1,440)	(3,389)	(4,345)
Closing balance	9,643	11,797	10,289

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The following table sets forth our inventory turnover days for the years indicated:

	Year ended December 31,		
	2023	2024	2025
Inventory turnover days ⁽¹⁾	66	60	66

Note:

- (1) Inventory turnover days are calculated using the average of opening balance and closing balance of inventory for a year divided by the sum of 1) purchase of goods and materials, 2) changes in inventories, 3) services and 4) royalty fees for the relevant year and multiplied by 365 days.

Our inventory turnover days remained relatively stable at 66, 60 and 66 days in 2023, 2024 and 2025, respectively, reflecting our consistent inventory management practices.

As of February 28, 2026, RMB9.5 million, or 69.9%, of our finished goods as of December 31, 2025 had been sold.

The majority of our inventories consists of raw materials, such as castings and gears, which generally do not become obsolete.

Trade, Bills and Other Receivables

Our trade, bills and other receivables primarily consisted of trade receivables from related parties and third parties, bills receivables and other receivables and assets.

The following table sets out a breakdown of our trade, bills and other receivables as at the dates indicated:

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current portion			
Other receivables – third parties	25	27	39
Total non-current	25	27	39
Current portion			
Trade receivables – related parties	35,841	39,727	35,859
Trade receivables – third parties	68,347	77,550	112,460
Bills receivables – third parties	–	20,047	15,053
Other receivables and assets – third parties	4,020	1,475	8,823
Total current	108,208	138,799	172,195

Our current trade, bills and other receivables increased by 28.3% from RMB108.2 million as at December 31, 2023 to RMB138.8 million as at December 31, 2024, largely in line with increased sales, and further increased by 24.1% to RMB172.2 million as at December 31, 2025, primarily due to higher year-end sales and changes in credit terms of certain customers, who previously made prepayments in connection with the development of new products and transitioned to customary credit terms following the completion of development. We typically allow a credit period ranging from 30 to 90 days to our customers.

As at December 31, 2024 and 2025, bills receivables represented bank acceptance notes aged less than six months. The Company expects that the credit risk associated with bills receivables is considered to be low since they have original maturities of six months or less and most of the accepting banks are state-owned banks and other large or medium size listed banks with good reputation and high credit rating.

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The following table sets out an aging analysis of our trade receivables based on invoice dates as at the dates indicated:

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0-60 days	96,166	97,555	133,139
60-90 days	4,655	8,660	11,322
90-120 days	1,624	5,409	3,141
Over 120 days	1,743	5,653	717
Total	104,188	117,277	148,319

During the Track Record Period, the majority of our trade receivables were aged within 60 days, representing 92.3%, 83.2% and 89.8% of our total trade receivables as at December 31, 2023, 2024 and 2025, respectively.

The following table sets out our trade receivables turnover days for the years indicated:

	Year ended December 31,		
	2023	2024	2025
Trade receivables turnover days ⁽¹⁾	53	46	55

Note:

(1) Trade receivables turnover days are calculated using the average of opening balance and closing balance of trade receivables for a year divided by revenue for the relevant year and multiplied by 365 days.

Our trade receivables turnover days were 53, 46 and 55 days in 2023, 2024 and 2025, respectively.

We seek to maintain strict control over our outstanding receivables to minimize credit risk. During the Track Record Period, our credit policy for major customers remained stable, with timely payments and no occurrence of material bad debts. The Company has concentration of credit risk as 34%, 34% and 24% of total trade receivables was due from the Company’s largest customer and 82%, 93% and 73% of total trade receivables was due from the Company’s five largest customers as at December 31, 2023, 2024 and 2025, respectively.

As of February 28, 2026, RMB112.1 million, or 75.6% of our trade receivables as of December 31, 2025 had been settled.

Liabilities

Financial Liabilities

Our financial liabilities primarily consisted of bank borrowings.

The following table sets out a breakdown of our financial liabilities as at the dates indicated:

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank borrowings	15,517	26,529	50,031

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	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The carrying amounts of the above bank borrowings are repayable:			
Within one year	4,517	13,029	11,131
Within a period of more than one year but not exceeding two years	6,000	13,500	16,100
Within a period of more than two years but not exceeding five years	5,000	–	22,800
	<u>15,517</u>	<u>26,529</u>	<u>50,031</u>
Less: Amounts due for settlement within one year and shown under current liabilities	(4,500)	(13,000)	(11,100)
Interest payables	(17)	(29)	(31)
Amounts shown under non-current liabilities	<u>11,000</u>	<u>13,500</u>	<u>38,900</u>

Our total financial liabilities (including current and non-current portions) increased from RMB15.5 million as at December 31, 2023 to RMB26.5 million as at December 31, 2024, and further increased to RMB50.0 million as at December 31, 2025, primarily due to the drawdown of bank borrowings to support our business operations.

In December 2025, the Company entered into a facility agreement with Bank of Communications Qingdao Branch, which provided the Company a credit limit in an aggregate principal amount of RMB200 million. As of December 31, 2025, no borrowings were drawn down under the facility. Subsequently in January and February 2026, the Company drew down borrowings with the amount of RMB129.9 million under the facility with an interest rate of LPR plus 20 basis points per annum.

In January 2026, the Company entered into three-year loan agreements with Agricultural Bank of China Qingdao Branch for borrowings of RMB20 million, bearing interest at LPR minus 30 basis points per annum. All borrowings under these agreements are unsecured, unguaranteed and are repayable by 2029.

All bank borrowings as at December 31, 2023, 2024 and 2025 are unsecured and unguaranteed.

The exposure of the Company’s borrowings are as follows:

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Variable-rate borrowings	15,517	26,529	50,031

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Company’s borrowings are as follows:

	As at December 31,		
	2023	2024	2025
	Effective interest rates:	Loan Prime Rate	
Variable-rate borrowings	(“LPR”)+35 basis points	LPR+55 basis points	LPR-30 basis points

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Trade Payables and Other Payables

Our trade payables and other payables primarily consisted of trade payables to related parties and third parties, and other payables including accrued employee benefits, tax payables and amounts due to related parties.

The following table sets out a breakdown of our trade payables and other payables as at the dates indicated:

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables			
To related parties	16,707	25,087	33,719
To third parties	172,754	216,284	245,799
Subtotal – trade payables	189,461	241,371	279,518
Other payables			
To third parties:			
– Tax payables	1,885	1,827	3,178
– Accrued employee benefits	9,488	11,583	12,882
– Accrued [REDACTED]	–	–	[REDACTED]
– Accrued issue cost	–	–	3,894
To related parties	371	275	261
Other payables	11,744	13,685	21,244
Total trade payables and other payables	201,205	255,056	300,762

Our trade payables and other payables increased by 26.8% from RMB201.2 million as at December 31, 2023 to RMB255.1 million as at December 31, 2024, and further increased by 17.9% to RMB300.8 million as at December 31, 2025, primarily due to increased procurement of goods and materials in line with the growth of our production and operations.

The following table sets out an aging analysis of our trade payables based on invoice dates as at the dates indicated:

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0-60 days	128,026	154,583	183,380
60-90 days	32,740	41,268	50,468
90-120 days	21,014	24,203	26,976
Over 120 days	7,681	21,317	18,694
Total	189,461	241,371	279,518

During the Track Record Period, the majority of our trade payables were aged within 90 days, representing 84.9%, 81.1% and 83.7% of our total trade payables as at December 31, 2023, 2024 and 2025, respectively.

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The following table sets out our trade payables turnover days for the years indicated:

	Year ended December 31,		
	2023	2024	2025
Trade payables turnover days ⁽¹⁾	144	122	151

Note:

- (1) Trade payables turnover days are calculated using the average of opening balance and closing balance of trade payables for a year divided by the sum of 1) purchase of goods and materials, 2) changes in inventories, 3) services and 4) royalty fees for the relevant year and multiplied by 365 days.

Our trade payables turnover days were 144, 122 and 151 days in 2023, 2024 and 2025, respectively.

Our trade payables turnover days are generally higher than the credit period granted to us by our suppliers, primarily due to higher year-end sales of construction equipment products, which, together with slower settlement during the year-end holiday period and longer delivery times for imported materials, resulted in extended turnover days.

As of February 28, 2026, RMB148.8 million, or 53.2%, of our trade payables as of December 31, 2025 had been settled.

Contract Liabilities

Contract liabilities represent our Company’s obligations to transfer goods to customers for which our Company has received consideration (or consideration is due) from the customers.

Pursuant to the sales agreements, certain customers are entitled to receive volume rebates from the Company for the next purchase based on the actual sales volume to them. After the delivery of goods to certain customers, the Company estimates and determines the volume rebates to certain customers based on their completion of performance targets. Those volume rebates are treated as advance payments from customers and recorded under contract liabilities.

The following table sets out a breakdown of our contract liabilities as at the dates indicated:

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Contract liabilities – third parties	4,906	24,741	14,150

Our contract liabilities increased from RMB4.9 million as at December 31, 2023 to RMB24.7 million as at December 31, 2024, representing an increase of 404.3%, primarily due to advance payments received from customers. Contract liabilities decreased by 42.8% to RMB14.2 million as at December 31, 2025, as advance payments from customers declined in 2025.

All contract liabilities at the beginning of each reporting period were realized to revenue during the relevant reporting period, and no revenue was recognized in the reporting period from the performance obligations satisfied in prior periods. The balance of contract liabilities as at January 1, 2023 was RMB1.4 million.

Income Tax Payables

Our income tax payables represent the amount of income taxes payable to the tax authorities in respect of current and prior periods. The Company is subject to enterprise income tax in the PRC at a rate of 25% under the EIT Law and Implementation Regulation of the EIT Law.

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The following table sets out our income tax payables as at the dates indicated:

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Income tax payables	4,341	6,843	8,756

Our income tax payables increased by 57.6% from RMB4.3 million as at December 31, 2023 to RMB6.8 million as at December 31, 2024, and further increased by 28.0% to RMB8.8 million as at December 31, 2025. The increase in income tax payables was primarily attributable to the increase in our profit before tax during the Track Record Period, which resulted in higher current income tax liabilities.

Provisions for Risk and Liabilities

Our provisions for risk and liabilities primarily consist of (i) warranty provisions, which represent the estimated costs of fulfilling our warranty obligations in respect of products sold, and (ii) other provisions.

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle our obligations. Warranty provisions are recognized based on historical data and current conditions of warranty, taking into consideration all relevant information such as product improvements and market changes.

The following table sets out a breakdown of our provisions for risk and liabilities as at the dates indicated:

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current liabilities:			
Warranty provisions	1,804	1,634	711
Other provisions	2,190	683	837
Subtotal – current	3,994	2,317	1,548
Non-current liabilities:			
Warranty provisions	581	1,095	3,420
Total provisions for risk and liabilities	4,575	3,412	4,968

Our total provisions for risk and liabilities decreased by 25.4% from RMB4.6 million as at December 31, 2023 to RMB3.4 million as at December 31, 2024, and increased by 45.6% to RMB5.0 million as at December 31, 2025.

Current provisions for risk and liabilities decreased from RMB4.0 million as at December 31, 2023 to RMB2.3 million as at December 31, 2024, and further decreased to RMB1.5 million as at December 31, 2025. The decrease in current provisions was primarily attributable to the reduction in other provisions.

Non-current warranty provisions increased from RMB581,000 as at December 31, 2023 to RMB1.1 million as at December 31, 2024, and further increased to RMB3.4 million as at December 31, 2025. The increase in non-current warranty provisions was primarily due to an increase in year-end sales in 2025.

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Liquidity and Capital Resources

Cash Flows

The following table sets forth a summary of our cash flows for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities . . .	35,685	164,162	140,423
Net cash used in investing activities	(20,190)	(25,665)	(17,157)
Net cash (used in)/generated from financing activities	(91,050)	(54,605)	18,928
Net (decrease)/increase in cash and cash equivalents	(75,555)	83,892	142,194
Cash and cash equivalents at beginning of year .	195,545	120,443	203,981
Effect of foreign exchange rate changes	453	(354)	685
Cash and cash equivalents at end of year	120,443	203,981	346,860

Net Cash Generated from Operating Activities

In 2025, we generated net cash from operating activities of RMB140.4 million, as compared to profit before tax of RMB160.1 million. The principal reconciling items were depreciation of property, plant and equipment of RMB13.3 million and amortization of intangible assets of RMB1.0 million, and financial costs and expenses of RMB505,000. These were partially offset by a gain on disposal of property, plant and equipment of RMB23,000 and a net foreign exchange gain of RMB685,000. Working capital movements further impacted operating cash flows, primarily reflecting an increase in trade payables of RMB38.1 million, an increase in other receivables and payables of RMB4.3 million and an increase in provisions for risks and liabilities of RMB1.6 million, partially offset by an increase in trade receivables of RMB26.0 million, a decrease in contract liabilities of RMB10.6 million and an increase in inventories of RMB5.1 million. After income taxes paid of RMB36.0 million, net cash from operating activities amounted to RMB140.4 million.

In 2024, we generated net cash from operating activities of RMB164.2 million, as compared to profit before tax of RMB141.4 million. The principal reconciling items were depreciation of property, plant and equipment of RMB13.7 million and amortization of intangible assets of RMB1.1 million, financial costs and expenses of RMB1.8 million and a net foreign exchange loss of RMB354,000, partially offset by a gain on disposal of property, plant and equipment of RMB5,000. Working capital movements further impacted operating cash flows, primarily reflecting an increase in trade payables of RMB57.9 million, an increase in contract liabilities of RMB19.8 million and an increase in other receivables and payables of RMB4.5 million, partially offset by an increase in trade receivables of RMB33.1 million, an increase in inventories of RMB10.0 million and a decrease in provisions for risks and liabilities of RMB1.2 million. After income taxes paid of RMB32.0 million, net cash from operating activities amounted to RMB164.2 million.

In 2023, we generated net cash from operating activities of RMB35.7 million, as compared to profit before tax of RMB94.2 million. The key reconciling items included depreciation of property, plant and equipment of RMB14.0 million and amortization of intangible assets of RMB1.1 million, financial costs and expenses of RMB1.2 million and a loss on disposal of intangible assets of RMB52,000, partially offset by a net foreign exchange gain of RMB453,000 and a gain on disposal of property, plant and equipment of RMB57,000. Changes in working capital primarily reflected a decrease in trade payables of RMB69.4 million and a decrease in provisions for risks and liabilities of RMB1.1 million, partially offset by a

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decrease in trade receivables of RMB10.2 million, an increase in contract liabilities of RMB3.5 million, an increase in other receivables and payables of RMB159,000 and a decrease in inventories of RMB2.9 million. After income taxes paid of RMB20.2 million, net cash from operating activities amounted to RMB35.7 million.

Net Cash Used in Investing Activities

In 2025, we recorded net cash used in investing activities of RMB17.2 million. This primarily reflected purchases of property, plant and equipment of RMB17.2 million and purchases of intangible assets of RMB81,000, partially offset by proceeds from disposal of property, plant and equipment of RMB113,000.

In 2024, we recorded net cash used in investing activities of RMB25.7 million. The outflows were primarily due to purchases of property, plant and equipment of RMB19.8 million, payments for loans to third parties of RMB6.0 million and purchases of intangible assets of RMB174,000, partially offset by proceeds from disposal of property, plant and equipment of RMB267,000.

In 2023, we recorded net cash used in investing activities of RMB20.2 million. The principal uses were purchases of property, plant and equipment of RMB20.5 million and purchases of intangible assets of RMB308,000, partially offset by proceeds from disposal of property, plant and equipment of RMB650,000.

Net Cash Flows (Used in)/Generated From Financing Activities

In 2025, we recorded net cash generated from financing activities of RMB18.9 million. The principal inflows were proceeds from new bank borrowings of RMB50.0 million, partially offset by repayment of bank borrowings of RMB26.5 million, payment for [REDACTED] of RMB4.1 million and interest paid of RMB503,000.

In 2024, we recorded net cash used in financing activities of RMB54.6 million. The principal outflows were dividends paid of RMB63.9 million. Interest paid amounted to RMB1.7 million and repayment of bank borrowings of RMB15.0 million, partially offset by proceeds from new bank borrowings of RMB26.0 million.

In 2023, we recorded net cash used in financing activities of RMB91.1 million. The primary outflows were dividends paid of RMB53.8 million, capital reduction of RMB51.6 million and repayment of bank borrowings of RMB44.5 million. Interest paid amounted to RMB1.2 million, partially offset by proceeds from new bank borrowings of RMB60.0 million.

Working Capital Sufficiency

Our Directors are of the opinion that, taking into consideration the financial resources presently available to us, including our cash and cash equivalents, our available banking facilities, our internally generated funds and the estimated [REDACTED] from the [REDACTED], we have sufficient working capital to meet our present requirements and for at least the next 12 months from the date of this Document.

As at December 31, 2025, we had cash and cash equivalents of RMB346.9 million and total bank borrowings of RMB50.0 million. Our current ratio (current assets divided by current liabilities) was 1.89 as at December 31, 2025, compared to 1.50 as at December 31, 2024 and 1.51 as at December 31, 2023, demonstrating an improving liquidity position during the Track Record Period.

Our principal sources of liquidity have been and are expected to continue to be (i) cash generated from our operating activities, (ii) bank borrowings, and (iii) the estimated [REDACTED] from the [REDACTED]. We generated net cash from operating activities of RMB35.7 million, RMB164.2 million and RMB140.4 million in 2023, 2024 and 2025, respectively. During the Track Record Period, our strong operating cash flows have enabled us to fund our working capital requirements, capital expenditure and debt service obligations.

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Indebtedness

The following table sets forth details of our outstanding indebtedness as at December 31, 2023, December 31, 2024, December 31, 2025 and as of the Latest Practicable Date, being the latest practicable date for ascertaining information contained in this section prior to the printing of this Document:

	As at December 31,			As at February 28,
	2023	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank borrowings – unsecured and unguaranteed				
Current	4,500	13,000	11,100	33,600
Non-current	11,000	13,500	38,900	166,300
Subtotal	15,500	26,500	50,000	199,900
Total indebtedness	15,500	26,500	50,000	199,900

As at February 28, 2026, in addition to the above, we had credit facilities of RMB70.1 million, which were unutilized and available for drawdown, subject to the terms and conditions of the relevant facility agreements. All of our bank borrowings are denominated in RMB, are unsecured and unguaranteed, and are not subject to any financial covenants. We had no defaults or breaches of covenants during the Track Record Period.

The following table sets out the maturity profile of our bank borrowings as at the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank borrowings	<u>15,517</u>	<u>26,529</u>	<u>50,031</u>
The carrying amounts of the above bank borrowings are repayable:			
Within one year	4,517	13,029	11,131
Within a period of more than one year but not exceeding two years	6,000	13,500	16,100
Within a period of more than two years but not exceeding five years	5,000	–	22,800
	15,517	26,529	50,031

No Other Outstanding Indebtedness

Save as disclosed above, as at the Latest Practicable Date, we did not have any:

- (a) outstanding debt securities, whether issued and outstanding, authorized or otherwise created but unissued, or term loans, whether guaranteed, unguaranteed, secured (whether the security is provided by us or by third parties) or unsecured;
- (b) other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, whether guaranteed, unguaranteed, secured or unsecured;
- (c) outstanding mortgages, charges, debentures, loan capital, debt securities, bank overdrafts, loans, liabilities under acceptances or acceptance credits, or hire purchase commitments;
- (d) finance lease liabilities; or
- (e) material contingent liabilities or guarantees.

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Capital Expenditures

Our capital expenditures during the Track Record Period primarily consisted of purchases of property, plant and equipment and purchases of intangible assets. We funded our capital expenditures primarily through cash generated from our operating activities and bank borrowings.

The following table sets forth our capital expenditures for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	20,532	19,758	17,189
Intangible assets	308	174	81
Total capital expenditures	20,840	19,932	17,270

Our total capital expenditures amounted to RMB20.8 million, RMB19.9 million and RMB17.3 million in 2023, 2024 and 2025, respectively. The decrease in capital expenditures during the Track Record Period was primarily due to the completion of certain production capacity enhancement projects in prior years.

Property, Plant and Equipment

Capital expenditures on property, plant and equipment primarily consisted of additions to plant and machinery, industrial equipment, and construction in progress to support our manufacturing operations and production capacity. Our capital expenditures on property, plant and equipment amounted to RMB20.5 million, RMB19.8 million and RMB17.2 million in 2023, 2024 and 2025, respectively.

The following table sets forth a breakdown of our capital expenditures on property, plant and equipment by asset category for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Buildings	548	693	493
Leasehold lands	–	–	–
Plant and machinery	2,954	11,713	3,711
Industrial equipment	12,927	6,295	10,330
Office furniture and vehicles	973	851	1,022
Construction in progress	3,130	206	1,633
Total	20,532	19,758	17,189

During the Track Record Period, our capital expenditures on property, plant and equipment were primarily directed towards plant and machinery and construction in progress, reflecting our ongoing investments in production equipment and facility improvements to enhance our manufacturing capabilities and production efficiency.

Intangible Assets

Capital expenditures on intangible assets primarily consisted of additions to software and other intangible assets to support our business operations. Our capital expenditures on intangible assets amounted to RMB308,000, RMB174,000 and RMB81,000 in 2023, 2024 and 2025, respectively.

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Future Capital Expenditure Plans

We expect to continue to incur capital expenditures to maintain and enhance our production capacity, upgrade our manufacturing equipment, and improve our operational efficiency. Our future capital expenditure requirements will depend on a number of factors, including but not limited to the growth of our business, market conditions, and the timing and scope of any capacity expansion projects.

We expect to fund our future capital expenditure requirements primarily through cash generated from our operating activities, our available banking facilities and the estimated [REDACTED] from the [REDACTED]. For details of our intended use of [REDACTED] from the [REDACTED], please refer to the section headed “Future Plans and Use of [REDACTED]” in this Document.

CONTRACTUAL OBLIGATIONS

Capital Commitments

Our capital commitments are related to contracted commitments for the acquisition of property, plant and equipment and intangible assets. As at December 31, 2023, 2024 and 2025, our capital commitments were nil, nil and RMB191.4 million, respectively. Our capital commitments as at December 31, 2025 were primarily attributable to the acquisition of intellectual property as part of the IP Transfer. The capital commitments relating to the IP Transfer were settled in January 2026.

CONTINGENT LIABILITIES

As at December 31, 2023, 2024 and 2025 and the Latest Practicable Date, we did not have any material contingent liabilities.

KEY FINANCIAL RATIOS

The following table sets forth a summary of our key financial ratios for the periods/as of the dates indicated:

	Year ended December 31,		
	2023	2024	2025
Gearing Ratio ⁽¹⁾	0.07	0.11	0.13
Adjusted EBITDA (non-IFRS) Margin ⁽²⁾	14.8%	18.2%	20.1%
Net Profit Margin ⁽³⁾	9.6%	12.2%	13.7%
Operating Profit Margin ⁽⁴⁾	12.8%	16.5%	18.2%

Notes:

- (1) Gearing Ratio equals total debts over total equity. Total debts refer to all borrowings and loans, but does not include lease liabilities.
- (2) Adjusted EBITDA (non-IFRS) Margin is calculated as Adjusted EBITDA (non-IFRS) over total revenues.
- (3) Net Profit Margin equals profit for the year divided by total revenues.
- (4) Operating Profit Margin equals operating profit divided by total revenues.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of December 31, 2023, 2024 and 2025, we did not have any off-balance sheet commitments and arrangements.

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FINANCIAL RISKS DISCLOSURE

We are exposed to a variety of financial risks in the ordinary course of our business, including market risks (comprising currency risk and interest rate risk), credit risk and liquidity risk. We have established risk management policies and procedures to identify, assess and monitor these risks and to implement appropriate mitigation measures. Our Directors and management regularly review and evaluate our financial risk exposures to ensure that appropriate measures are implemented on a timely and effective basis. For a full descriptions of our financial risk exposure and risk management policies, see Note 25.b. of the Accountants' Report in Appendix I.

DIVIDENDS

During the Track Record Period, as approved by resolutions of our Board of Directors, we declared and paid dividends of RMB53.8 million, RMB63.9 million and nil in 2023, 2024 and 2025, respectively, to our then sole shareholder, Carraro International. The dividends paid in 2023 and 2024 were funded from our retained profits and paid out of cash generated from our operating activities. No dividends were declared or paid in 2025.

Pursuant to a resolution passed by the Board of Directors on January 30, 2026 and February 27, 2026, a final dividend of RMB95,444,000 and RMB106,050,000 is proposed in respect of the year ended December 31, 2024 and 2025. This proposed dividend is not reflected in the dividends payable line item in the Historical Financial Information.

Subject to our constitutional documents and the PRC Company Law, we intend to adopt a dividend policy upon [REDACTED] to which we may declare dividends. The Company intends to distribute not less than 20% of its profit for the year for the preceding financial year.

DISTRIBUTABLE RESERVES

As at December 31, 2025, our reserves available for distribution to our shareholders amounted to approximately RMB203.5 million, being the retained profits of the Company as at that date.

[REDACTED]

[REDACTED] represent professional fees, [REDACTED] and other fees incurred in connection with the [REDACTED]. We estimate that our [REDACTED] will be approximately RMB[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED]) and no exercise of the [REDACTED]), representing [REDACTED]% of the [REDACTED] (based on the mid-point of our indicative [REDACTED] for the [REDACTED] and assuming that the [REDACTED] is not exercised) of the [REDACTED]. During the Track Record Period, we incurred [REDACTED] of RMB[REDACTED] in 2025, which were charged to profit or loss. As at December 31, 2025, deferred issue costs amounted to RMB[REDACTED]. We expect to incur additional [REDACTED] of RMB[REDACTED], of which RMB[REDACTED] is expected to be recognized in the statements of profit or loss and RMB[REDACTED] is expected to be recognized as a deduction in equity directly upon the [REDACTED]. Our Directors do not expect such expenses to materially impact our results of operations in 2026. By nature, our [REDACTED] are composed of (i) [REDACTED] of RMB[REDACTED], and (ii) [REDACTED] related expenses of RMB[REDACTED], which consist of fees and expenses of legal advisors and Reporting Accountant of RMB[REDACTED] and other fees and expenses of RMB[REDACTED].

NO MATERIAL ADVERSE CHANGE

Save as disclosed in Note 29 of the Accountants' Report in Appendix I to this Document, and as set forth below, and the [REDACTED] as disclosed in the paragraph headed [REDACTED] in this section, our Directors have confirmed that up to the date of this Document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2025, being the end date of the periods reported in Appendix I to this Document, and there is no event since December 31, 2025 that would materially affect the information as set out in Appendix I to this Document.

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Subsequent to December 31, 2025 the Company entered into an intellectual property assignment agreement with Carraro S.p.A., on December 24, 2025 which became effective from January 1, 2026, with a total cash consideration of EUR23,271,000 (equivalent to RMB191,432,000), which was paid off in January 2026. For further information, see “Business — Intellectual Property”. In addition, upon approval by the shareholders’ general meeting held in April 2026, the Company was converted from a limited liability company into a joint stock company with limited liability, 115,911,267 ordinary shares with par value of RMB1 each were issued and allotted to the respective shareholders of the Company according to the paid-in capital registered on that day.

Further, pursuant to a resolution passed by our Board of Directors on January 30, 2026 and February 27, 2026, a final dividend of RMB95,444,000 and RMB106,050,000 was proposed in respect of the year ended December 31, 2024 and 2025. The dividend of RMB95,444,000 was paid in February 2026. The dividend of RMB106,050,000 is expected to be paid prior to the [REDACTED]. For further information, please see Notes 10, 12, 29, and other notes to the Accountants’ Report, the text of which is set out at Appendix I to this Document.

RELATED PARTY TRANSACTIONS

See Note 28 of the Accountants’ Report in Appendix I for a summary of our related party transactions. Our Directors believe that these transactions were conducted in the ordinary and usual course of business, following ordinary negotiations, and applying transfer pricing methods consistent with the OECD Transfer Pricing Guidelines, and they did not distort our results of operations or make our historical results not reflective of our future performance.

UNAUDITED [REDACTED] ADJUSTED COMBINED NET TANGIBLE ASSETS

See Unaudited [REDACTED] Financial Information in Appendix II for a summary of our unaudited [REDACTED] adjusted combined net tangible assets.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.