

CONNECTED TRANSACTIONS

OVERVIEW

Pursuant to Chapter 14A of the Listing Rules, our Directors, substantial shareholders and chief executive, any person who was a director of our Company within 12 months preceding the [REDACTED] and any of their respective associates will become connected persons of our Company upon [REDACTED]. Upon the [REDACTED], our transactions with such connected persons will constitute connected transactions under Chapter 14A of the Listing Rules.

CONNECTED PERSONS

As of the Latest Practicable Date, our Company was indirectly wholly-owned by Carraro S.p.A.. As such, Carraro S.p.A. is a substantial shareholder of our Company for the purpose of the Listing Rules, and thus Carraro S.p.A. and its associates are our connected persons by virtue of Rule 14A.07 of the Listing Rules.

Considering the long-standing business relationship between the other members of the Carraro Group and our Company, and the mutual understanding of our standards, requirements and specific needs, our Company has sought in the ordinary and usual course of our business and will, after the [REDACTED], continue to enter into certain transactions with the other members of the Carraro Group, which will accordingly constitute our connected transactions upon [REDACTED] (the “Continuing Connected Transactions”).

SUMMARY OF OUR CONNECTED TRANSACTIONS

Nature of transactions	Applicable Listing Rules	Waiver sought	Proposed annual caps for the year ending December 31, (RMB '000)		
			2026	2027	2028
Non-exempt continuing connected transactions					
1. Contract Manufacturing Framework Agreement . . .	14A.34 14A.35 14A.36 14A.53 14A.76 14A.105	Announcement, circular and independent Shareholders’ approval requirements	300,000	350,000	375,000
Partially-exempt continuing connected transactions					
2. Engineering Services Framework Agreement . . .	14A.34 14A.35 14A.53 14A.76 14A.105	Announcement	Maximum aggregate annual amount of fees payable by the other members of the Carraro Group to our Company:		
			3,300	4,300	5,800
			Maximum aggregate annual amount of fees payable by our Company to the other members of the Carraro Group:		
			11,700	19,000	19,900

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Nature of transactions	Applicable Listing Rules	Waiver sought	Proposed annual caps for the year ending December 31, (RMB '000)		
			2026	2027	2028
3. Semi-Finished Goods and Components Framework Agreement	14A.34	Announcement	Maximum aggregate annual amount of fees payable by the other members of the Carraro Group to our Company: 37,600 37,600 37,600 Maximum aggregate annual amount of fees payable by our Company to the other members of the Carraro Group: 37,500 37,500 37,500		
	14A.35				
	14A.53				
	14A.76				
	14A.105				
4. Technology Licensing Framework Agreement	14A.34	Announcement	11,000	12,700	15,200
	14A.35				
	14A.53				
	14A.76				
	14A.105				
5. Services and Secondment Framework Agreement	14A.34	Announcement	14,000	16,000	18,000
	14A.35				
	14A.53				
	14A.76				
	14A.105				
6. Trademark License Agreement	14A.34	Announcement	N/A	N/A	N/A
	14A.35				
	14A.52				
	14A.76				
	14A.105				

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Contract Manufacturing Framework Agreement

Description of the transaction

On [●], we entered into a contract manufacturing framework agreement (the “**Contract Manufacturing Framework Agreement**”) with Carraro S.p.A. (for and on behalf of the Carraro Group), pursuant to which our Company will manufacture and sell products to the other members of the Carraro Group for satisfying certain orders of axles, transmissions and related components made to the other members of the Carraro Group by their clients.

The initial term of the Contract Manufacturing Framework Agreement shall commence on the [REDACTED] until [December 31, 2028], which may be renewed as the parties may mutually agree, subject to compliance with the requirements under the Listing Rules and all other applicable laws and regulations. Our Company and the relevant other member(s) of the Carraro Group may enter into separate underlying agreements and/or orders which set out the specific terms and conditions according to the principles provided in the Contract Manufacturing Framework Agreement.

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Reasons for and benefits of the transaction

Our Company, as 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, possesses the relevant expertise and experience that can meet the needs of clients of other members of the Carraro Group. The Carraro Group and its clients may from time to time mutually determine, based on economic factors and comparative advantage in terms of manufacturing capabilities, that the clients would be best served by having our Company manufacture their products in China. Such sales to the Carraro Group model would allow our Company to maximize our production capacities and provide our Company with a considerable alternative source of revenue alongside our main supply model of direct sales.

Pricing policies

The price to be paid to us by the other members of the Carraro Group will be determined following ordinary commercial negotiations, applying transfer pricing methods consistent with the OECD Transfer Pricing Guidelines which ensures normal commercial terms or better terms for our Company. The pricing ensures us a market-based profitability on our total operating costs. Profitability on our total operating costs will be consistent with the benchmarking analysis provided by external independent advisors engaged by us which may be revised from time to time, taking into account referenceable transactions of comparable Independent Third Parties, and shall be at least in line with the market.

Historical transaction amounts

The amounts paid by the other members of the Carraro Group to our Company in relation to the products manufactured and sold by our Company to the other members of the Carraro Group for the years ended December 31, 2023, 2024 and 2025 were approximately RMB223.8 million, RMB184.5 million and RMB196.5 million, respectively.

Proposed annual caps and basis of annual caps

It is estimated that the maximum annual amounts payable by the other members of the Carraro Group to our Company in relation to the products manufactured and sold by our Company to the other members of the Carraro Group under the Contract Manufacturing Framework Agreement for the three years ending December 31, 2026, 2027 and 2028 will not, in aggregate, exceed the amounts set out in the table below:

	Year ending December 31,		
	2026	2027	2028
	(RMB'000)	(RMB'000)	(RMB'000)
Maximum aggregate annual amount of fees payable by the other members of the Carraro Group to our Company	<u>300,000</u>	<u>350,000</u>	<u>375,000</u>

In determining the annual caps for the transactions contemplated under the Contract Manufacturing Framework Agreement, we have considered, among other things, the following: (a) the historical transaction amounts, as evaluated against the market conditions at the corresponding points of time, (b) the expected increase in business volumes of the other members of the Carraro Group and hence more contract manufacturing opportunities for our Company for the three years ending December 31, 2026, 2027 and 2028 based on the performance of the market which the other members of the Carraro Group are in so far since the end of the Track Record Period, (c) the future orders for our contract manufacturing services already received, and (d) the anticipated enhanced appeal of our Company as a contract manufacturer location to the clients of the other members of the Carraro Group for the three years ending December 31, 2026, 2027 and 2028 as a result of our engineering and product development plans.

CONNECTED TRANSACTIONS

Listing Rules implications

As the highest applicable percentage ratio (other than the profits ratio) under the Listing Rules in respect of the annual caps for the transactions contemplated under the Contract Manufacturing Framework Agreement is more than 5%, such transactions will be subject to the reporting, annual review, announcement, circular and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

As the highest applicable percentage ratio (other than the profits ratio) under the Listing Rules in respect of the respective annual caps for each of the transactions set forth below and in respect of the Trademark License Agreement (as defined below) is expected to, on annual basis, exceed 0.1% but be less than 5%, such transactions will be subject to the reporting, annual review and announcement requirements, but will be exempted from the circular and independent Shareholders’ approval requirements, under Chapter 14A of the Listing Rules. Details of such partially-exempt continuing connected transactions are set forth below.

2. Engineering Services Framework Agreement

Description of the transaction

On [●], we entered into an engineering services framework agreement (the “**Engineering Services Framework Agreement**”) with Carraro S.p.A. (for and on behalf of the Carraro Group), pursuant to which (i) our Company will provide to the other members of the Carraro Group engineering services concerning drivelines including technical drawing, modeling, and development and manufacturing of prototypes, and (ii) the other members of the Carraro Group will provide to our Company engineering services including technical drawings, calculation, modeling, development, validation, testing and maintenance activities, development and manufacturing of prototypes.

The initial term of the Engineering Services Framework Agreement shall commence on the [REDACTED] until [December 31, 2028], which may be renewed as the parties may mutually agree, subject to compliance with the requirements under the Listing Rules and all other applicable laws and regulations. Our Company and the relevant other member(s) of the Carraro Group may enter into separate underlying agreements and/or orders which set out the specific terms and conditions according to the principles provided in the Engineering Services Framework Agreement.

Reasons for and benefits of the transaction

Engineering services are provided two-way between our Company and the other members of the Carraro Group. This reflects the efficient use and management of resources within the Carraro Group which our Company is part of.

Provision of engineering services by our Company: given our Company’s vast local expertise and extensive experience of working in China, our Company provides engineering services to the other members of the Carraro Group mostly in circumstances where there is a PRC nexus (such as when the components are sourced from a PRC supplier) and/or our Company has a comparative advantage.

Obtaining of engineering services by our Company: our Company procures engineering services from the other members of the Carraro Group, to draw from the global platform of technical specialties of the Carraro Group with nearly 100 years of experience, in certain aspects to further enhance our PRC business.

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Pricing policies

The fees to be paid by us and/or the other members of the Carraro Group under the Engineering Services Framework Agreement will be determined following ordinary commercial negotiations between the relevant parties, applying transfer pricing methods consistent with the OECD Transfer Pricing Guidelines which ensures normal commercial terms or better terms for our Company. The pricing takes into account factors including without limitation complexity of the services and engineering function costs of the service provider, as well as rate of mark-up based on the latest available benchmark analysis provided by external independent advisors which may be revised from time to time and which shall be at least in line with the market.

Historical transaction amounts

Provision of engineering services by our Company: the fees paid by the other members of the Carraro Group to our Company in relation to our engineering services for the years ended December 31, 2023, 2024 and 2025 were approximately RMB1.6 million, RMB1.9 million and RMB2.4 million, respectively.

Obtaining of engineering services by our Company: no such transaction took place for the years ended December 31, 2023, 2024 and 2025. Prior to the IP Transfer, the engineering services were performed by the other members of the Carraro Group on intellectual property assets owned by Carraro S.p.A. (which was in turn licensed to our Company for our business operations), so the other members of the Carraro Group did not charge our Company any fee for such engineering services.

Proposed annual caps and basis of annual caps

It is estimated that the maximum annual amounts payable and receivable by our Company under the Engineering Services Framework Agreement for the three years ending December 31, 2026, 2027 and 2028 will not, in aggregate, exceed the amounts set out in the table below:

	Year ending December 31,		
	2026	2027	2028
	(RMB'000)	(RMB'000)	(RMB'000)
Maximum aggregate annual amount of fees payable by the other members of the Carraro Group to our Company	<u>3,300</u>	<u>4,300</u>	<u>5,800</u>
Maximum aggregate annual amount of fees payable by our Company to the other members of the Carraro Group	<u>11,700</u>	<u>19,000</u>	<u>19,900</u>

In determining the annual caps for the transactions contemplated under the Engineering Services Framework Agreement, we have considered, among other things, the following:

- *Provision of engineering services by our Company:* (a) the historical transaction amounts, (b) the trend of increasing demand for our engineering services during the Track Record Period as a result of our enhanced comparative advantage in certain aspects of engineering services aligning with the growth of our business, and (c) the expected even higher demand for our engineering services for the three years ending December 31, 2026, 2027 and 2028 due to the anticipated further accelerated growth of our business.

CONNECTED TRANSACTIONS

- *Obtaining of engineering services by our Company:* (a) the costs incurred by the other members of the Carraro Group during the Track Record Period on performing the engineering services on the intellectual property assets transferred to our Company pursuant to the IP Transfer, (b) the anticipated acceleration in demand by our Company for engineering services driven by our business growth over the three years ending December 31, 2026, 2027 and 2028, and (c) the expected moderation of the rate of such increase in 2028, as our engineering and product development initiatives are anticipated to reach a more mature stage and also the demand for engineering services with respect to the same intellectual property assets transferred pursuant to the IP Transfer is anticipated to decline by then.

3. Semi-Finished Goods and Components Framework Agreement

Description of the transaction

On [●], we entered into a semi-finished goods and components framework agreement (the "**Semi-Finished Goods and Components Framework Agreement**") with Carraro S.p.A. (for and on behalf of the Carraro Group), pursuant to which (i) our Company will sell semi-finished goods and components we manufacture and/or source originally for our own business operations, to the other members of the Carraro Group for supporting their production if there is demand from them, and (ii) the other members of the Carraro Group will sell semi-finished goods and components they manufacture and/or source originally for their own business operations, to our Company for supporting our production if there is demand from us.

The initial term of the Semi-Finished Goods and Components Framework Agreement shall commence on the [REDACTED] until [December 31, 2028], which may be renewed as the parties may mutually agree, subject to compliance with the requirements under the Listing Rules and all other applicable laws and regulations. Our Company and the relevant other member(s) of the Carraro Group may enter into separate underlying agreements and/or orders which set out the specific terms and conditions according to the principles provided in the Semi-Finished Goods and Components Framework Agreement.

Reasons for and benefits of the transaction

The two-way sales of semi-finished goods and components between our Company and the other members of the Carraro Group reflect the effective use and management of resources within the Carraro Group which our Company is part of.

The availability of each other as a supplier provides each of our Company and the other members of the Carraro Group with a convenient, efficient and reliable source to obtain semi-finished goods and components from when the need arises.

Pricing policies

The fees to be paid by us and/or the other members of the Carraro Group under the Semi-Finished Goods and Components Framework Agreement will be determined following ordinary commercial negotiations between the relevant parties, applying transfer pricing methods consistent with the OECD Transfer Pricing Guidelines which ensures normal commercial terms or better terms for our Company. The pricing takes into account the applicable costs, as well as level of margin based on factors including benchmark provided by external independent advisors and/or comparable transactions with Independent Third Parties and which shall be at least in line with the market.

Historical transaction amounts

Sale of semi-finished goods and components by our Company: The fees paid by other members of the Carraro Group to our Company for semi-finished goods and components for the years ended December 31, 2023, 2024 and 2025 were approximately RMB49.7 million, RMB36.3 million and RMB33.1 million, respectively.

Purchase of semi-finished goods and components by our Company: The fees paid by our Company to the other members of the Carraro Group for semi-finished goods and components for the years ended December 31, 2023, 2024 and 2025 were approximately RMB29.3 million, RMB34.1 million and RMB23.5 million, respectively.

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Proposed annual caps and basis of annual caps

It is estimated that the maximum annual amounts payable and receivable by our Company under the Semi-Finished Goods and Components Framework Agreement for the three years ending December 31, 2026, 2027 and 2028 will not, in aggregate, exceed the amounts set out in the table below:

	Year ending December 31,		
	2026	2027	2028
	(RMB'000)	(RMB'000)	(RMB'000)
Maximum aggregate annual amount of fees payable by the other members of the Carraro Group to our Company	<u>37,600</u>	<u>37,600</u>	<u>37,600</u>
Maximum aggregate annual amount of fees payable by our Company to the other members of the Carraro Group	<u>37,500</u>	<u>37,500</u>	<u>37,500</u>

In determining the annual caps for the transactions contemplated under the Semi-Finished Goods and Components Framework Agreement, we have considered, among other things, the following:

- *Sale of semi-finished goods and components by our Company:* (a) the range of historical transaction amounts, and (b) the estimated consistent number of semi-finished goods and components to be sold by our Company for the three years ending December 31, 2026, 2027 and 2028, taking into account the expected increase in the number of semi-finished goods and components to be manufactured and/or sourced by our Company as offset by the expected increase in the number of semi-finished goods and components that has to be kept for use for our own business operations due to the anticipated growth of our business over that period.
- *Purchase of semi-finished goods and components by our Company:* (a) the historical transaction amounts, (b) expected higher demand for semi-finished goods and components by our Company as compared to the Track Record Period, due to the anticipated growth of our business for the three years ending December 31, 2026, 2027 and 2028, taking into account factors including without limitation the development trends and the growing size of the market which our business is in, our growing trend of customer demand and base and our engineering and product development plans, and (c) the estimated consistent level of surplus with respect to semi-finished goods and components of the other members of the Carraro Group that can be supplied to our Company for the three years ending December 31, 2026, 2027 and 2028.

4. Technology Licensing Framework Agreement

Description of the transaction

On [●], we entered into a technology licensing framework agreement (the “**Technology Licensing Framework Agreement**”) with Carraro S.p.A. (for and on behalf of the Carraro Group), pursuant to which the other members of the Carraro Group will license to our Company the right to use certain patented and non-patented technology, software and know-how with respect to our production of certain axles and transmissions and their optional accessories, prototypes, subassemblies and child parts.

The initial term of the Technology Licensing Framework Agreement shall commence on the [REDACTED] until [December 31, 2028], which may be renewed as the parties may mutually agree, subject to compliance with the requirements under the Listing Rules and all other applicable laws and regulations. Our Company and the relevant other member(s) of the Carraro Group may enter into separate underlying agreements and/or orders which set out the specific terms and conditions according to the principles provided in the Technology Licensing Framework Agreement.

CONNECTED TRANSACTIONS

Reasons for and benefits of the transaction

The licensing of patented and non-patented technology, software and know-how from the other members of the Carraro Group enables our Company to manufacture more products and/or customize and develop more prototypes, which could provide our Company with an additional source of revenue alongside our main direct sales of products relying on the intellectual property assets transferred to our Company under the IP Transfer.

Pricing policies

The royalty fees which our Company shall pay to the other members of the Carraro Group will be determined following ordinary commercial negotiations between the relevant parties, applying transfer pricing methods consistent with the OECD Transfer Pricing Guidelines which ensures normal commercial terms or better terms for our Company. The royalty fees are calculated based on sales revenue of axles and transmissions manufactured using the technology, software and know-how to be licensed (and sales revenue of their spare parts, but excluding intra-group sales revenue), will be determined within the range of benchmark provided by external independent advisors and which shall be at least in line with the market.

Our Company has further agreed that, where we are to sell prototypes which we customize and develop based on the licensed technology, software and know-how, our Company will pay to the other members of the Carraro Group a share of the prototype price charged to any customer, being an amount equivalent to the prototype price charged after deducting the fees for customizing and developing the prototype and the direct costs for the production of prototypes (including a rate of mark-up determined within the range of benchmark provided by external independent advisors and which shall be no less favourable to our Company as compared to the market).

Historical transaction amounts

The royalties and/or fees paid by our Company to the other members of the Carraro Group for the use of the relevant patented and non-patented technology, software and know-how for the years ended December 31, 2023, 2024 and 2025 were approximately RMB18.7 million, RMB26.2 million and RMB31.3 million, respectively.

Proposed annual caps and basis of annual caps

It is estimated that the maximum annual amount of royalties and/or fees payable by our Company to the other members of the Carraro Group in relation to the licensing of patented and non-patented technology, software and know-how under the Technology Licensing Framework Agreement for the three years ending December 31, 2026, 2027 and 2028 will not, in aggregate, exceed the amounts set out in the table below:

	Year ending December 31,		
	2026	2027	2028
	(RMB'000)	(RMB'000)	(RMB'000)
Maximum aggregate annual amount of royalties and/or fees payable by our Company to the other members of the Carraro Group	<u>11,000</u>	<u>12,700</u>	<u>15,200</u>

In determining the annual caps for the transactions contemplated under the Technology Licensing Framework Agreement, we have considered, among other things, the following: (a) the historical transaction amounts, (b) the trend of increasing demand for licensing of technology, software and know-how consistent with the trend of growth of our business during the Track Record Period, (c) the

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much reduced number of technology, software and know-how to be licensed to our Company by the other members of the Carraro Group for the three years ending December 31, 2026, 2027 and 2028 as compared to the Track Record Period as a result of the IP Transfer, and (d) the expected increased use of the licensed technology, software and know-how by our Company to manufacture products and/or customize and develop prototypes for the three years ending December 31, 2026, 2027 and 2028 due to the anticipated growth of our business.

5. Services and Secondment Framework Agreement

Description of the transaction

On [●], we entered into a services and secondment framework agreement (the “**Services and Secondment Framework Agreement**”) with Carraro S.p.A. (for and on behalf of the Carraro Group), pursuant to which the other members of the Carraro Group will provide certain administrative support services, including without limitation by way of secondment of relevant staff to our Company and in relation to (a) finance and accounting, (b) legal, compliance and tax, (c) human resources and management support, (d) technical and IT, (e) sales, procurement and marketing, and (f) industrial development, to our Company at our election.

The initial term of the Services and Secondment Framework Agreement shall commence on the [REDACTED] until [December 31, 2028], which may be renewed as the parties may mutually agree, subject to compliance with the requirements under the Listing Rules and all other applicable laws and regulations. Our Company and the relevant other member(s) of the Carraro Group may enter into separate underlying agreements and/or orders which set out the specific terms and conditions according to the principles provided in the Services and Secondment Framework Agreement.

Reasons for and benefits of the transaction

The provision of services and secondment from the other members of the Carraro Group to our Company would better facilitate the administrative functions of the two groups as a whole in a cost efficient manner, and allow our Company to benefit from Carraro Group’s global experience and knowledge to enhance our business administration.

Pricing policies

The fees to be paid by us to the other members of the Carraro Group under the Services and Secondment Framework Agreement will be determined following ordinary commercial negotiations between the relevant parties, applying transfer pricing methods consistent with the OECD Transfer Pricing Guidelines which ensures normal commercial terms or better terms for our Company. The pricing takes into account the applicable costs (including without limitation labour cost and overhead expenses) attributable to our use of the services, as well as a rate of mark-up within the range of benchmark provided by external independent advisors and which shall be at least in line with the market.

Historical transaction amounts

The fees paid by our Company to the other members of the Carraro Group for the services and secondment for the years ended December 31, 2023, 2024 and 2025 were approximately RMB7.2 million, RMB9.3 million and RMB12.9 million, respectively.

CONNECTED TRANSACTIONS

Proposed annual caps and basis of annual caps

It is estimated that the maximum annual amount of fees payable by our Company to the other members of the Carraro Group in relation to the services and secondment under the Services and Secondment Framework Agreement for the three years ending December 31, 2026, 2027 and 2028 will not, in aggregate, exceed the amounts set out in the table below:

	Year ending December 31,		
	2026	2027	2028
	(RMB'000)	(RMB'000)	(RMB'000)
Maximum aggregate annual amount of fees payable by our Company to the other members of the Carraro Group	<u>14,000</u>	<u>16,000</u>	<u>18,000</u>

In determining the annual caps for the transactions contemplated under the Services and Secondment Framework Agreement, we have considered, among other things, the following: (a) the historical transaction amounts, (b) the trend of increasing demand for services and secondment by our Company consistent with the trend of growth of our business during the Track Record Period, and (c) the expected even higher demand for services and secondment by our Company due to the anticipated growth of our business for the three years ending December 31, 2026, 2027 and 2028, taking into account factors including without limitation the development trends and the growing size of the market which our business is in, our growing trend of customer demand and base and our engineering and product development plans.

6. Trademark License Agreement

Description of the transaction

On [●], our Company entered into a trademark license agreement (the “**Trademark License Agreement**”) with Carraro S.p.A., pursuant to which Carraro S.p.A. agreed to grant our Company a non-exclusive, non-transferable and non-assignable but sub-licensable license to use globally the trademark registrations and applications of Carraro S.p.A. for the Carraro name and logo (the “**Licensed Trademarks**”) (1) in connection with the manufacturing, promotion and sale to customers of transmissions, axles and relevant components and parts produced or sold by our Company, (2) in connection with the [REDACTED] and (3) in the corporate name and stock name of our Company.

The Trademark License Agreement became effective on [●] and shall remain in force for a term of 15 years, which may be renewed at our Company’s or Carraro S.p.A.’s election, subject to compliance with the requirements under the Listing Rules and all other applicable laws and regulations. The Trademark License Agreement shall automatically terminate in the event of and upon our Company ceasing to be accounted for as a subsidiary of Carraro S.p.A. and our financial results ceasing to be consolidated in the consolidated accounts of the Carraro Group, and may be terminated by written consent of the parties thereto. Our Directors believe that entering into the Trademark License Agreement with a term of more than three years is inherently beneficial to our Company and our Shareholders as a whole and it is appropriate for the Trademark License Agreement to have a 15-year renewable term, as such trademark licenses promote the stability of operations of our Company and enable us to plan and invest over the longer term through providing us with the comfort and protection that we can use the Carraro trademark to carry on our business over a long run. The Sole Sponsor is of the view that it is normal business practice for agreements of this type to be of such duration.

Reasons for and benefits of the transaction

The ability to use the Carraro trademark, name and logo is highly beneficial to the business operations of our Company, as it enables us to leverage the reputation and good-standing that the Carraro Group has built globally and over a long period of time.

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Pricing policies

Our Company has agreed to pay to Carraro S.p.A. a royalty of 0.6% of net sales (being gross sales less any returns, sales, use or value added taxes, and excluding intra-group sales) of all products bearing the Licensed Trademarks throughout the term of the Trademark License Agreement, in line with the royalty rate that was adopted during the Track Record Period.

The royalty rate under the Trademark License Agreement was determined following ordinary commercial negotiations between the relevant parties, applying transfer pricing methods consistent with the OECD Transfer Pricing Guidelines which ensures normal commercial terms or better terms for our Company. Such royalty rate falls within the range of benchmark provided by external independent advisors. The parties have also agreed that the royalty fees payable under the Trademark License Agreement will be adjusted, to the extent an adjustment is necessary to ensure that the payments are on normal commercial terms or better terms for our Company.

If the parties are to renew the Trademark License Agreement following the expiry of its initial 15-year term commencing on [●], such renewal shall be subject to the royalty rate to be applied during the renewed term having been reviewed by a qualified, independent third-party consultant using market comparables.

Historical transaction amounts

The royalties fees paid by our Company to Carraro S.p.A. for the use of the Carraro brand name and logo for the years ended December 31, 2023, 2024 and 2025 were approximately RMB2.7 million, RMB3.7 million and RMB3.8 million, respectively.

Proposed annual caps and basis of annual caps

Given the formulae for the calculation of the royalty fees under the Trademark License Agreement is based on the net sales amount of all products bearing the Licensed Trademarks during the relevant period, it is not practicable for the Directors to provide any meaningful estimates of a monetary cap as it would involve making assumptions regarding the future performance of our Company over a period of up to 15 years, and imposing a monetary cap will place an arbitrary ceiling on our future revenue hence effectively limiting the scale of our business to meet market demands which will unduly hinder our development and our ability to grow and create value for all of our Shareholders.

INTERNAL CONTROL MEASURES

Our Company has an independent internal control, accounting and financial management system which makes financial decisions according to our Company's own business needs.

In order to ensure that the terms under each of the Contract Manufacturing Framework Agreement, the Engineering Services Framework Agreement, the Semi-Finished Goods and Components Framework Agreement, the Technology Licensing Framework Agreement, the Services and Secondment Framework Agreement and the Trademark License Agreement (collectively, the "**Connected Transaction Agreements**") for the Continuing Connected Transactions are fair and reasonable, and are carried out under normal commercial terms, we will adopt the following internal control and corporate governance measures:

- our Board (including our independent non-executive Directors) and the Audit Committee will be responsible for reviewing and evaluating the terms of the Connected Transaction Agreements for the Continuing Connected Transactions (including any renewal thereof), in particular the pricing principles and annual caps, to ensure that such terms are fair and reasonable to our Company and compliant with relevant laws and regulations, our Company's internal policies and the Listing Rules;

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- various internal departments of our Company (including but not limited to our finance and legal functions) will regularly monitor the implementation of the Continuing Connected Transactions and keep track of the aggregate transaction amounts under each of the Connected Transaction Agreements to ensure that the pricing principles and annual caps contained therein are complied with;
- when determining the price/fees payable to and receivable from the other members of the Carraro Group under each of the Connected Transaction Agreements, our Company will regularly research into prevailing market conditions and practices involving Independent Third Parties for similar transactions and/or consult independent external advisors, to ensure that the terms and conditions offered by the other members of the Carraro Group are fair and reasonable and are no less favorable to our Company than those offered in the market; and
- when considering any renewal, revision or termination to/of each of the Connected Transaction Agreements after the [REDACTED], the interested Directors and Shareholders (if any) shall abstain from voting on the resolutions to approve such transaction at Board meetings or Shareholders' meetings (as applicable). If the independent Directors' or independent Shareholders' approvals (as applicable) cannot be obtained, we will not continue the transaction under the relevant Connected Transaction Agreement to the extent that it constitutes non-exempt or partially-exempt continuing connected transaction under Chapter 14A of the Listing Rules.

APPLICATION FOR WAIVER

(i) Waiver from Strict Compliance with the Three-Year Contractual Term and Monetary Annual Caps Requirements with respect to the Trademark License Agreement

Rule 14A.52 of the Listing Rules provides that the period for a written agreement for continuing connected transaction must be fixed and reflect normal commercial terms or better. It must not exceed three years except in special circumstances where the nature of the transaction requires a longer period. In this case, the listed issuer must appoint an independent financial advisor to explain why the agreement requires a longer period and to confirm that it is normal business practice for agreement of this type to be of such duration.

Rule 14A.53 of the Listing Rules requires that the listed issuer must set an annual cap for the continuing connected transactions. The cap must be: (1) expressed in monetary terms; (2) determined by reference to previous transactions and figures in the published information of the listed issuer's group. If there were no previous transactions, the cap must be set based on reasonable assumptions; and (3) approved by shareholders if the transaction requires shareholders' approval.

For the reasons as set out in "— Partially-Exempt Continuing Connected Transactions — 6. Trademark License Agreement" above, we have applied for a waiver from strict compliance with the requirements to set a fixed term of not exceeding three years and monetary annual caps for the Trademark License Agreement under Rule 14A.52 and Rule 14A.53 of the Listing Rules, respectively.

The Stock Exchange [has granted us] the waiver from strict compliance with the requirements under Rule 14A.52 and Rule 14A.53 of the Listing Rules in respect of the partially-exempt Continuing Connected Transaction under the Trademark License Agreement subject to the following conditions:

- apart from the requirements of setting a fixed term not exceeding three years and setting fixed monetary annual caps for which waivers are sought, our Company will comply with other requirements under Chapter 14A of the Listing Rules with respect to the Trademark License Agreement;

CONNECTED TRANSACTIONS

- our Company will comply with the announcement and (if applicable) circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules if there is any material change to the bases of calculations of the royalty fees payable by our Company under the Trademark License Agreement;
- if the parties are to renew the Trademark License Agreement following the expiry of its initial 15-year term commencing on [●], the new agreement will need to comply with the three-year fixed contractual term and monetary annual caps requirements under Rule 14A.52 and Rule 14A.53 of the Listing Rules, unless a new waiver from strict compliance with such requirements is applied for by the Company from and granted by the Stock Exchange;
- our Company will disclose in this Document the background for entering into the Trademark License Agreement, the terms of the Trademark License Agreement, the grounds for the waivers sought and our Directors' and the Sole Sponsor's views on the fairness and reasonableness of the transactions under the Trademark License Agreement;
- our Company will disclose in our subsequent annual and interim reports a clear description of the bases for calculating the royalty fees payable by our Company under the Trademark License Agreement and the amount of fees paid by our Company during the relevant periods; and
- the independent non-executive Directors and the auditors of our Company will review the transactions under the Trademark License Agreement on an annual basis and confirm in our Company's annual report the matters set out in Rule 14A.55 and Rule 14A.56 of the Listing Rules, respectively.

(ii) Waiver Application for Non-Exempt and Partially-Exempt Continuing Connected Transactions

As the above Continuing Connected Transactions are expected to be carried out on a recurring basis, our Directors (including our independent non-executive Directors) consider that strict compliance with the aforesaid announcement and/or circular and independent Shareholders' approval requirements (as applicable) will be impractical, and such requirement(s) will lead to unnecessary administrative costs and create an onerous burden on our Company. In addition, our Directors (including the independent non-executive Directors) believe that it is in our Company's interests to continue the Continuing Connected Transactions after the [REDACTED].

Pursuant to Rule 14A.105 of the Listing Rules, we have applied for[, and the Stock Exchange has granted,] a waiver from strict compliance with (a) the announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the non-exempt Continuing Connected Transaction under the Contract Manufacturing Framework Agreement and (b) the announcement requirement under Chapter 14A of the Listing Rules in respect of the partially-exempt Continuing Connected Transactions (being all Continuing Connected Transactions excluding the Continuing Connected Transaction under the Contract Manufacturing Framework Agreement), subject to the condition that the aggregate amounts of each of the Continuing Connected Transactions for each financial year shall not exceed the relevant amounts set forth in the respective annual caps (as stated above).

Our independent non-executive Directors and auditors of our Company shall review whether each of the Continuing Connected Transactions has been entered into pursuant to the principal terms and pricing policies under the relevant Connected Transaction Agreement as disclosed in this section. The confirmation from our independent non-executive Directors and our auditors will be disclosed annually according to the requirements of the Listing Rules. Apart from the requirement(s) for which a waiver is sought, our Company will comply with the applicable requirements under Chapter 14A of the Listing Rules in relation to the Continuing Connected Transactions.

CONNECTED TRANSACTIONS

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that the Continuing Connected Transactions as set out above have been and will be entered into in the ordinary and usual course of business of our Company, on normal commercial terms or better, and in accordance with terms (including the term of the Trademark License Agreement providing for 15-year renewable duration) that are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Our Directors (including our independent non-executive Directors) are also of the view that the proposed annual caps for the Continuing Connected Transactions (where applicable, and including the non-monetary annual caps for the royalty fees payable under the Trademark License Agreement) are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor has (i) reviewed the relevant documents and information provided by our Company in relation to the above Continuing Connected Transactions; (ii) obtained necessary representations and confirmations from our Company and the Directors; and (iii) participated in the due diligence and discussions with the management of our Company.

Based on the Sole Sponsor's due diligence, the Sole Sponsor is of the view that the Continuing Connected Transactions as set out above have been and will be entered into in the ordinary and usual course of business of our Company, on normal commercial terms or better, and in accordance with terms (including the term of the Trademark License Agreement providing for 15-year renewable duration) that are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that the proposed annual caps for the Continuing Connected Transactions (where applicable, and including the non-monetary annual caps for the royalty fees payable under the Trademark License Agreement) are fair and reasonable and in the interests of our Company and our Shareholders as a whole.