

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report set out on pages I-1 to I-2 received from the Company’s reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

[To insert the firm’s letterhead]

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CARRARO CHINA DRIVE SYSTEMS CO., LTD. AND ABCI CAPITAL LIMITED

Introduction

We report on the historical financial information of CARRARO CHINA DRIVE SYSTEMS CO., LTD.* (“卡拉羅(中國)傳動系統股份有限公司”) (previously known as “CARRARO CHINA DRIVE SYSTEMS CO., LTD.* 卡拉羅(中國)傳動系統有限公司”) (the “**Company**”) set out on pages I-3 to I-34, which comprises the statements of financial position of the Company as at 31 December 2023, 2024 and 2025, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of the Company for each of the three years ended 31 December 2023, 2024 and 2025 (the “**Track Record Period**”) and material accounting policy information and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-3 to I-34 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [date] (the “**Document**”) in connection with the [REDACTED] of H shares of the Company on the [REDACTED] of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “*Accountants’ Reports on Historical Financial Information in Investment Circulars*” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessment, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

* *English name is for identification purpose only.*

APPENDIX I**ACCOUNTANTS' REPORT**

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Company's financial position as at 31 December 2023, 2024 and 2025 and of the Company's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance***Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about dividends declared and paid by the Company in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
[Date]

APPENDIX I

ACCOUNTANTS' REPORT

HISTORICAL FINANCIAL INFORMATION OF THE COMPANY

Preparation of Historical Financial Information of the Company

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Company for the Track Record Period, on which the Historical Financial Information in this report is based, have been prepared in accordance with the accounting policies which conform with IFRS Accounting Standards issued by the International Accounting Standards Board (the "IASB") and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

APPENDIX I

ACCOUNTANTS’ REPORT

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	For the year ended 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
REVENUES				
Products		731,241	860,285	871,993
Services		4,557	9,699	1,973
Other revenues		281	172	465
TOTAL REVENUES	6	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	7	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	8	102	(1,893)	628
PROFIT BEFORE TAX		94,153	141,395	160,099
Current and deferred income taxes	9	(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
EARNINGS PER SHARE (RMB YUAN)	10			
– BASIC		0.55	0.92	1.04

APPENDIX I

ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION

	NOTES	As at 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	108,610	114,439	118,253
Intangible assets	14	3,153	2,227	1,296
Other receivables	17	25	27	39
TOTAL NON-CURRENT ASSETS		111,788	116,693	119,588
CURRENT ASSETS				
Inventory	16	101,197	111,186	116,323
Trade, bills and other receivables	17	108,208	138,799	172,195
Cash and cash equivalents	18	120,443	203,981	346,860
TOTAL CURRENT ASSETS		329,848	453,966	635,378
TOTAL ASSETS		441,636	570,659	754,966
SHAREHOLDER’S EQUITY				
Paid-in capital	21	114,779	114,779	114,779
Reserves		94,136	136,154	256,080
TOTAL SHAREHOLDER’S EQUITY		208,915	250,933	370,859
NON-CURRENT LIABILITIES				
Provisions for risk and liabilities	23	581	1,095	3,420
Financial liabilities	22	11,000	13,500	38,900
Deferred tax liabilities	15	2,177	3,145	5,440
TOTAL NON-CURRENT LIABILITIES		13,758	17,740	47,760
CURRENT LIABILITIES				
Financial liabilities	22	4,517	13,029	11,131
Trade payables and other payables	19	201,205	255,056	300,762
Contract liabilities	20	4,906	24,741	14,150
Income tax payables		4,341	6,843	8,756
Provisions for risk and liabilities	23	3,994	2,317	1,548
TOTAL CURRENT LIABILITIES		218,963	301,986	336,347
TOTAL LIABILITIES		232,721	319,726	384,107
TOTAL SHAREHOLDER’S EQUITY AND LIABILITIES		441,636	570,659	754,966

APPENDIX I

ACCOUNTANTS’ REPORT

STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital	Capital reserves	Statutory reserves	Retained profit	Total equity
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(note)</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance as at 1 January 2023 . . .	168,103	8	21,153	54,654	243,918
Profit for the year	–	–	–	70,396	70,396
Total comprehensive income for the year	–	–	–	70,396	70,396
Transfer to statutory reserves	–	–	7,095	(7,095)	–
Dividend distribution (<i>Note 12</i>) . .	–	–	–	(53,796)	(53,796)
Capital reduction (<i>Note 21</i>)	(53,324)	1,721	–	–	(51,603)
Balance as at 31 December 2023	114,779	1,729	28,248	64,159	208,915
Profit for the year	–	–	–	105,882	105,882
Total comprehensive income for the year	–	–	–	105,882	105,882
Transfer to statutory reserves	–	–	10,605	(10,605)	–
Dividend distribution (<i>Note 12</i>) . .	–	–	–	(63,864)	(63,864)
Balance as at 31 December 2024	114,779	1,729	38,853	95,572	250,933
Profit for the year	–	–	–	119,926	119,926
Total comprehensive income for the year	–	–	–	119,926	119,926
Transfer to statutory reserves	–	–	12,006	(12,006)	–
Balance as at 31 December 2025	114,779	1,729	50,859	203,492	370,859

Note: It represents the statutory reserve of the Company in the People’s Republic of China (the “PRC”). Pursuant to applicable PRC regulations, PRC entity is required to appropriate 10% of its profit after tax (after offsetting prior year losses) to the statutory reserve until such reserve reaches 50% of its registered capital. Transfers to this reserve must be made before distribution of dividends to the shareholder. Upon approval by relevant authorities, the statutory reserve can be utilized to offset the accumulated losses or to increase the paid-up capital of the relevant entity.

APPENDIX I

ACCOUNTANTS' REPORT

STATEMENTS OF CASH FLOWS

	NOTES	Year ended 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Profit for the year		70,396	105,882	119,926
Current and deferred income taxes	9	23,757	35,513	40,173
Profit before tax		94,153	141,395	160,099
Adjustments for:				
Depreciation of property plant and equipment	13	13,971	13,667	13,285
Amortization of intangible assets	14	1,064	1,100	1,012
Loss on disposal of intangible assets		52	–	–
Gain on disposal of property, plant and equipment		(57)	(5)	(23)
Financial costs and expenses		1,168	1,753	505
Net (gains) losses on foreign exchange		(453)	354	(685)
Operating cash flows before movements in working capital		109,898	158,264	174,193
Change in inventories		2,922	(9,989)	(5,137)
Change in trade receivables		10,155	(33,136)	(26,048)
Change in trade payables		(69,372)	57,910	38,147
Change in other receivables and payables		(159)	4,484	4,268
Change in provision for risks and liabilities		(1,122)	(1,163)	1,556
Change in contract liabilities		3,541	19,835	(10,591)
Cash generated from operating activities		55,863	196,205	176,388
Income taxes paid		(20,178)	(32,043)	(35,965)
Net cash generated from operating activities		35,685	164,162	140,423
Investments in property, plant and equipment		(20,532)	(19,758)	(17,189)
Disposals in property, plant and equipment		650	267	113
Investments in intangible assets		(308)	(174)	(81)
Payments for loans to third parties		–	(6,000)	–
Net cash used in investing activities		(20,190)	(25,665)	(17,157)
Repayment of bank borrowings		(44,500)	(15,000)	(26,500)
New bank borrowings raised		60,000	26,000	50,000
Capital reduction		(51,603)	–	–
Payment for issue costs		–	–	(4,069)
Interest paid		(1,151)	(1,741)	(503)
Dividends paid		(53,796)	(63,864)	–
Net cash (used in) generated from financing activities		(91,050)	(54,605)	18,928
Total cash flows for the year		(75,555)	83,892	142,194
Opening cash and cash equivalents		195,545	120,443	203,981
Effect of foreign exchange rate changes		453	(354)	685
Closing cash and cash equivalents		120,443	203,981	346,860

APPENDIX I

ACCOUNTANTS’ REPORT

1. GENERAL

The Company is a wholly foreign-owned enterprise invested and founded by Carraro International S.E. on 19 January 2007 in Qingdao, PRC as a limited liability company and previously known as Carraro China Drive Systems Co., Ltd.* (卡拉羅(中國)傳動系統有限公司). The ultimate parent and controlling shareholder of the Company is Carraro S.p.A. On 16 April 2026, the Company was converted from a limited liability company into a joint stock limited liability company under the Company Laws of the PRC and changed the name to Carraro China Drive Systems Co., Ltd.* (卡拉羅(中國)傳動系統股份有限公司). The respective address of the registered office and the principal place of business of the Company are set out in the section headed “Corporate Information” to the Document.

The Company is principally engaged in the manufacture and sales 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.

The Historical Financial Information is presented in Renminbi (“RMB”), which is also the functional currency of the Company.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies which confirm with IFRS Accounting Standards issued by the IASB.

The statutory financial statements of the Company for each of the year ended 31 December 2023, 2024 and 2025 were prepared in accordance with the Accounting Standards for Business Enterprise issued by the Ministry of Finance of the PRC. The statutory financial statements of the Company for each of the year ended 31 December 2023 and 2024 were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP Jinan Branch, of which for the year ended 31 December 2025 was audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP. Both are certified public accountants registered in the PRC.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Company has consistently applied accounting policies which conform with IFRS Accounting Standards, which are effective for the accounting period beginning on 1 January 2025 throughout the Track Record Period.

New and amendments to IFRS Accounting Standards in issue but not yet effective

At the date of this report, the Company has not early adopted the following new and amendments to IFRS Accounting Standards that have been issued but are not yet effective:

Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency ³
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ²
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards — Volume 11 ²
IFRS 18	Presentation and Disclosure in Financial Statements ³

1 Effective for annual periods beginning on or after a date to be determined.

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

3 Effective for annual periods beginning on or after 1 January 2027.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 *Presentation of Financial Statements*. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (the title of which will be changed to *Basis of Preparation of Financial Statements* upon effective of IFRS 18) and IFRS 7. Minor amendments to IAS 7 *Statement of Cash Flows* and IAS 33 *Earnings per Share* are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. IFRS 18 requires retrospective application with specific transition provisions. The application of the new standard is not expected to have significant impact on the financial performance and positions of the Company in terms of recognition and measurement. However, it is expected to affect the structure and presentation of the statement of profit or loss. The Company currently presents interest received in operating activities, they will be classified in the investing activities on the statement of cash flows.

Except for the IFRS 18, the directors of the Company anticipate that the application of these amendments to IFRS Accounting Standards will have no material impact on the Company’s financial statements in the foreseeable future.

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APPENDIX I

ACCOUNTANTS’ REPORT

4. MATERIAL ACCOUNTING POLICY INFORMATION

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with IFRS Accounting Standards. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the relevant accounting policies set out below.

Revenue from contracts with customers

Information about the Company’s accounting policies relating to revenue from contracts with customers is provided in Notes 6 and 20.

Leases

The Company assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Company as a lessee

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets such as forklifts. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Right-of-use assets

The cost of right-of-use assets include the amounts of the initial measurement of the lease liabilities and any lease payments made at or before the commencement date.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Company presents right-of-use assets in “property, plant and equipment”, the same line item within which the corresponding underlying assets would be presented if they were owned.

Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the functional currency (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

Borrowing costs

All borrowing costs not directly attributable to the acquisition, construction or production of qualifying assets are recognized in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable. Such grants are presented under “other income”.

Employee benefits

Retirement benefit costs

Payments to government managed retirement benefit schemes are recognized as an expense when employees have rendered service entitling them to the contributions.

APPENDIX I

ACCOUNTANTS' REPORT

Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before tax because of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary difference.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled, or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below). Property, plant and equipment are stated in the statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets are functioning properly. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

APPENDIX I

ACCOUNTANTS' REPORT

Impairment on property, plant and equipment and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the CGU. The recoverable amount is determined for the CGU to which the corporate asset belongs, and is compared with the carrying amount of the CGU.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated to the assets on a pro-rata basis based on the carrying amount of each asset in the unit of the CGU. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents presented on the statements of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the statements of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Company must incur to make the sale, including costs to be incurred in marketing, selling and distribution.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

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 of the Company's best estimate of the expenditure required to settle the Company's obligation.

Financial instruments

Financial assets and financial liabilities are recognized when company becomes a party to the contractual provisions of the instrument.

APPENDIX I

ACCOUNTANTS' REPORT

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established generally by regulation or convention in the market place concerned.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost and is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Bills receivables classified as at financial assets from fair value through other comprehensive income ("FVTOCI")

Subsequent changes in the carrying amounts for bills receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognized in profit or loss. The amounts that are recognized in profit or loss are the same as the amounts that would have been recognized in profit or loss if these bills receivables had been measured at amortized cost. All other changes in the carrying amount of these bills receivables are recognized in other comprehensive income and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognized in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these bills receivables. When these bills receivables are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

Impairment of financial assets subject to impairment assessment under IFRS 9

The Company performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade, bills and other receivables and cash and cash equivalents) which are subjected to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of past events and current conditions at the reporting date as well as the forecast of future economic conditions.

The Company always recognizes lifetime ECL for trade receivables.

APPENDIX I

ACCOUNTANTS' REPORT

For all other instruments, the Company measures the impairment loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Company recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management purposes, the Company considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors (without taking into account any collaterals held by the Company).

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

Write-off policy

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

APPENDIX I

ACCOUNTANTS' REPORT

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Company uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and forward-looking information, including time value of money where appropriate, that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and the cash flows that the Company expects to receive, discounted at the original effective interest rate determined at initial recognition.

Lifetime ECL on trade receivables are considered on an individual basis for credit-impaired trade receivables, and on a collective basis for the remaining, taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Company takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by the management of the Company to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount through a loss allowance account.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. For financial assets measured at amortized cost, exchange differences are recognized in profit or loss in the 'Net gains (losses) on foreign exchange'.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities or equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities the Company holds are subsequently measured at amortized cost using the effective interest method.

Financial liabilities at amortized cost

Financial liabilities including trade payables and other payables and bank borrowings are subsequently measured at amortized cost, using the effective interest method.

APPENDIX I

ACCOUNTANTS’ REPORT

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the ‘Net gains (losses) on foreign exchange’.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company’s accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Inventory provision

The directors of the Company review the aging of the inventories at the end of each year and make provision for obsolete and slow-moving inventory items identified that are no longer suitable for use in production or saleable in the market. The directors of the Company estimate the net realizable value for such items based primarily on the latest invoice prices and current market conditions. The Company carries out an inventory review on a product-by-product basis at the end of each year and makes provision for obsolete and slow-moving items. As at 31 December 2023, 2024 and 2025, the carrying amounts of inventories were RMB101,197,000, RMB111,186,000 and RMB116,323,000 (net of accumulated inventory provision of RMB9,643,000, RMB11,797,000 and RMB10,289,000).

Warranty provisions

Warranty provisions granted by the Company in respect of certain products are recognized based on the historical data and current conditions of warranty, taking into consideration all relevant information such as product improvements and market changes, among others. The warranty provision represents management’s best estimate of the Company’s liability under 18 months assurance-type warranty granted on products, based on normal contractual terms of the Company. The estimate of the provision for warranty may not be equal to the actual warranty fee in the future. The Company reassesses the provision for warranty at least annually on each balance sheet date and determines its estimated liabilities based on the reassessed provision for warranty.

6. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Products	731,241	860,285	871,993
Services	4,557	9,699	1,973
Other revenues	281	172	465
	<u>736,079</u>	<u>870,156</u>	<u>874,431</u>

(ii) Performance obligations for contracts with customers and revenue recognition policies

Products and other revenues

The Company sells axles, transmissions, integrated driveline systems, and components along with related services to customers. As far as the recognition of revenues is concerned, these are recorded at the time of the transfer of control of the finished goods (at a point in time), this condition depends on what has been established with the customer, in most cases this transfer of control occurs when the goods are taken over by the carrier (which may alternatively be a ship). The normal credit term is advance payment from customers or 60 days upon delivery. Details of warranty terms are disclosed in Note 5.

Services

The Company provides development and related service for the customers on engineering of driveline products, especially concerning products customization for PRC market. Such services are recognized as a performance obligation satisfied over time. Revenue is recognized for these services based on the stage of completion of the contract. The directors have assessed that the stage of completion determined as the proportion of the total time expected to complete that has elapsed at the end of the reporting period is an appropriate measure of progress towards complete satisfaction of these performance obligations under IFRS 15. The Company’s performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payments for performance completed to date.

APPENDIX I

ACCOUNTANTS’ REPORT

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The Company applies the practical expedient of not disclosing the transaction price allocated to performance obligations that were unsatisfied as the Company’s contract has an original expected duration of less than one year.

(iv) Segment information

For the purpose of resource allocation and assessment of segment performance, the chief executive officer of the Company, being the chief operating decision maker, focuses and reviews on the overall results and financial position of the Company as a whole which are prepared based on the same accounting policies set out above. Accordingly, the Company has only one single operating segment and no further analysis of the single segment is presented.

Entity-wide disclosures

Geographical information

Information about the Company’s revenue is presented based on the location of the customers.

	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
PRC	448,406	642,264	633,313
Europe	280,361	217,513	226,597
Others	7,312	10,379	14,521
	<u>736,079</u>	<u>870,156</u>	<u>874,431</u>

During the Track Record Period, substantially all of the Company’s non-current assets are located in the PRC.

Information about major customers

Revenue from customers contributing over 10% of the total revenues of the Company during the Track Record Period is as follows:

	Year ended 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Carraro Group	273,514	220,756	229,655
Customer A	<u>153,032</u>	<u>218,459</u>	<u>203,227</u>

7. OPERATING COSTS AND PROFIT FOR THE YEAR

	Year ended 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Purchases of raw materials	485,547	561,288	528,826
Other production costs	13,448	13,811	15,229
Purchases of goods and materials	498,995	575,099	544,055
General overheads	18,432	21,005	25,248
Services for production	15,858	18,410	16,319
Freight and other sales service	8,161	10,707	12,544
Listing fee	–	–	1,843
Auditor’s remuneration	150	150	150
Services	42,601	50,272	56,104
Royalty fees	21,366	29,901	35,105
Directors’ and supervisor’s remuneration (<i>note 11</i>)	2,321	1,937	2,662
Other staff costs:			
– salaries, bonuses and other benefits	56,885	62,666	64,589
– retirement benefit scheme contributions	142	185	173
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
Amortization and depreciation of assets	15,035	14,767	14,297
Change in the cost of inventories	3,198	(12,143)	(3,629)
Changes in inventory provision	(276)	2,154	(1,508)
Change in inventories	2,922	(9,989)	(5,137)
Warranty provisions	1,408	2,148	2,223

APPENDIX I

ACCOUNTANTS’ REPORT

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Other operating income (<i>note</i>)	(1,359)	(1,918)	(763)
Other operating expenses	1,712	1,800	1,652
Other income and expenses	353	(118)	889

Note: Among the other operating income, government grants of RMB827,000, RMB296,000 and RMB257,000 were recognized in 2023, 2024 and 2025, respectively. There are no unfulfilled conditions or other contingencies attaching to the grants recognized.

8. NET GAINS (LOSSES) ON FINANCIAL ASSETS/LIABILITIES

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interests on bank current accounts and deposits	1,112	943	708
Other financial income	1,112	943	708
Interests on bank borrowings	(1,168)	(1,753)	(322)
Others	(271)	(421)	(263)
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

9. CURRENT AND DEFERRED INCOME TAXES

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current income tax	23,237	34,545	37,878
Deferred income tax	520	968	2,295
Current and deferred income taxes	23,757	35,513	40,173

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the Company is 25%.

The tax charge for the Track Record Period can be reconciled to the profit before taxation per the statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Profit before tax	94,153	141,395	160,099
Tax at PRC EIT rate of 25%	23,538	35,349	40,024
Tax effects related to:			
Effect of non-deductible costs	219	164	149
Taxation at effective rate	23,757	35,513	40,173

APPENDIX I

ACCOUNTANTS’ REPORT

10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Earnings for the purpose of calculating basic earnings per share:			
Profit for the year	70,396	105,882	119,926
	<u>70,396</u>	<u>105,882</u>	<u>119,926</u>
	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Number of shares ('000):			
Ordinary shares in issue at 1 January	168,103	114,779	114,779
Effect of capital reduction (note 21)	(39,993)	–	–
	<u>128,110</u>	<u>114,779</u>	<u>114,779</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share (note)	128,110	114,779	114,779
	<u>128,110</u>	<u>114,779</u>	<u>114,779</u>
Basic earnings per share (RMB yuan)	0.55	0.92	1.04
	<u>0.55</u>	<u>0.92</u>	<u>1.04</u>

Note: On 2 February 2026, Cicada (Qingdao) Investment Holdings Co., LTD. became a new shareholder of the Company, resulting in an increase in the Company’s paid-in capital from USD16,143,456 (equivalent to RMB114,778,969) to USD16,306,522 (equivalent to RMB115,911,267). 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. For the purpose of determining basic earnings per share, the number of shares in issue before the Company’s conversion into a joint stock limited liability company were deemed to be the weighted average number of ordinary shares as if the above conversion had occurred on 1 January 2023.

No diluted earnings per share were presented as there were no potential ordinary shares in issue during the Track Record Period.

11. DIRECTORS’, SUPERVISOR’S AND CHIEF EXECUTIVE OFFICER’S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Details of the emoluments paid or payable to the individuals who were appointed as directors, supervisor and the chief executive officer of the Company during the Track Record Period, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, are as follows:

For the year ended 31 December 2023

	Date of appointment	Directors’ fee	Salaries and allowances	Performance-based bonuses	Retirement benefit scheme contributions	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:						
Mr. Wang Xiangjin (general manager of the Company)	8 March 2017	–	1,192	1,088	41	2,321
Non-executive directors:						
Mr. Andrea Conchetto	19 November 2020	–	–	–	–	–
Mr. Tomaso Carraro	8 March 2017	–	–	–	–	–
Supervisor						
Mr. Enrico Gomiero	8 March 2017	–	–	–	–	–
		–	–	–	–	–
		<u>–</u>	<u>1,192</u>	<u>1,088</u>	<u>41</u>	<u>2,321</u>
		<u>–</u>	<u>1,192</u>	<u>1,088</u>	<u>41</u>	<u>2,321</u>

APPENDIX I

ACCOUNTANTS’ REPORT

For the year ended 31 December 2024

	Date of appointment	Directors’ fee	Salaries and allowances	Performance-based bonuses	Retirement benefit scheme contributions	Total
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive directors:						
Mr. Andrea Zaniboni	13 May 2024	–	282	–	12	294
Mr. Wang Xiangjin	8 March 2017	–	1,209	392	42	1,643
Non-executive directors:						
Mr. Andrea Conchetto	19 November 2020	–	–	–	–	–
Mr. Tomaso Carraro	8 March 2017	–	–	–	–	–
Supervisor						
Mr. Enrico Gomiero	8 March 2017	–	–	–	–	–
		–	1,491	392	54	1,937
		–	–	–	–	–
		–	–	–	–	–
		–	–	–	–	–

For the year ended 31 December 2025

	Date of appointment	Directors’ fee	Salaries and allowances	Performance-based bonuses	Retirement benefit scheme contributions	Total
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive directors:						
Mr. Andrea Zaniboni (<i>note i</i>)	13 May 2024	–	–	–	–	–
Mr. Matteo Bonino (<i>note ii</i>)	14 January 2025	–	740	–	43	783
Mr. Wang Xiangjin	8 March 2017	–	1,268	568	43	1,879
Non-executive directors:						
Mr. Andrea Conchetto	19 November 2020	–	–	–	–	–
Mr. Tomaso Carraro (<i>note iii</i>)	8 March 2017	–	–	–	–	–
Supervisor						
Mr. Enrico Gomiero (<i>note iv</i>)	8 March 2017	–	–	–	–	–
		–	2,008	568	86	2,662
		–	–	–	–	–
		–	–	–	–	–
		–	–	–	–	–

Notes:

- i. Mr. Andrea Zaniboni was appointed as executive director of the Company on 13 May 2024 and resigned as executive director of the Company with effect from 14 January 2025.
- ii. Mr. Matteo Bonino was appointed as executive director of the Company on 14 January 2025 and resigned as executive director of the Company with effect from 16 April 2026.
- iii. Mr. Tomaso Carraro was appointed as non-executive director of the Company on 8 March 2017 and resigned as non-executive director of the Company with effect from 16 April 2026.
- iv. Mr. Enrico Gomiero was appointed as supervisor of the Company on 8 March 2017 and resigned as supervisor of the Company with effect from 16 April 2026.
- v. The directors’ emoluments shown above were paid for their services in connection with the management of the affairs of the Company during the Track Record Period.
- vi. Performance-based bonuses are determined based on their duties and responsibilities of the relevant individuals within the Company and the Company’s performance.

During the Track Record Period, no remuneration was paid by the Company to the executive directors of the Company as an inducement to join or upon joining the Company or as compensation for loss of office.

None of the executive directors of the Company waived or agree to waive any remuneration during the Track Record Period.

APPENDIX I

ACCOUNTANTS’ REPORT

Five Highest Paid Employees’ Remuneration

The five highest paid employees of the Company include 1, 1 and 1 directors of the Company whose emoluments, are set out above for the Track Record Period. The emoluments of the remaining 4, 4 and 4 employees for each of the years ended 31 December 2023, 2024 and 2025, respectively, are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Salaries and allowance	3,300	3,157	3,320
Performance-based bonuses	463	638	646
Retirement benefits schemes contributions	143	170	173
	<u>3,906</u>	<u>3,965</u>	<u>4,139</u>

During the Track Record Period, the remunerations of the five highest paid individuals are within following bands (presented in Hong Kong Dollar (“HK\$”)):

	Year ended 31 December		
	2023	2024	2025
Below HK\$1,000,000	2	2	2
HK\$1,000,001 to HK\$1,500,000	2	2	2
HK\$1,500,001 to HK\$2,000,000	–	1	–
HK\$2,000,001 to HK\$2,500,000	–	–	1
HK\$2,500,001 to HK\$3,000,000	1	–	–
	<u>5</u>	<u>5</u>	<u>5</u>

During the Track Record Period, no remuneration was paid by the Company to the five highest paid individuals of the Company as an inducement to join or upon joining the Company or as compensation for loss of office. None of the five highest paid individuals waived any remuneration during the Track Record Period.

12. DIVIDENDS

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Dividend distribution	<u>53,796</u>	<u>63,864</u>	–

As approved by the resolution of the Company’s board of directors, the Company distributed profits of RMB53,796,000, RMB63,864,000 and nil in 2023, 2024 and 2025 to the investor, Carraro International S.E., respectively.

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

APPENDIX I

ACCOUNTANTS’ REPORT

13. PROPERTY, PLANT AND EQUIPMENT

Items	Buildings	Leasehold lands	Plant and machinery	Industrial equipment	Office furniture and vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Historical cost	70,446	1,924	140,270	84,501	6,199	409	303,749
Provisions for depreciations	(34,048)	(616)	(108,218)	(54,907)	(3,318)	–	(201,107)
Net as at 1 January 2023	36,398	1,308	32,052	29,594	2,881	409	102,642
Changes in 2023:							
Increases	548	–	2,954	12,927	973	3,130	20,532
Decreases	–	–	–	(409)	(184)	–	(593)
Transfer	–	–	–	409	–	(409)	–
Depreciation	(1,450)	(38)	(6,315)	(5,191)	(977)	–	(13,971)
Net as at 31 December 2023	35,496	1,270	28,691	37,330	2,693	3,130	108,610
Made up of:							
Historical cost	70,994	1,924	143,008	96,375	6,343	3,130	321,774
Provisions for depreciations	(35,498)	(654)	(114,317)	(59,045)	(3,650)	–	(213,164)
Net as at 1 January 2024	35,496	1,270	28,691	37,330	2,693	3,130	108,610
Changes in 2024:							
Increases	693	–	11,713	6,295	851	206	19,758
Decreases	(35)	–	–	(218)	(9)	–	(262)
Transfer	2,120	–	–	–	–	(2,120)	–
Depreciation	(1,471)	(38)	(4,605)	(6,511)	(1,042)	–	(13,667)
Net as at 31 December 2024	36,803	1,232	35,799	36,896	2,493	1,216	114,439
Made up of:							
Historical cost	73,705	1,924	154,493	101,376	6,540	1,216	339,254
Provisions for depreciations	(36,902)	(692)	(118,694)	(64,480)	(4,047)	–	(224,815)

APPENDIX I

ACCOUNTANTS’ REPORT

Items	Buildings	Leasehold lands	Plant and machinery	Industrial equipment	Office furniture and vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Historical cost	73,705	1,924	154,493	101,376	6,540	1,216	339,254
Provisions for depreciations	(36,902)	(692)	(118,694)	(64,480)	(4,047)	–	(224,815)
Net as at 1 January 2025	36,803	1,232	35,799	36,896	2,493	1,216	114,439
Changes in 2025:							
Increases	493	–	3,711	10,330	1,022	1,633	17,189
Decreases	–	–	–	(90)	–	–	(90)
Transfer	826	–	–	341	28	(1,195)	–
Depreciation	(1,497)	(38)	(4,429)	(6,588)	(733)	–	(13,285)
Net as at 31 December 2025	36,625	1,194	35,081	40,889	2,810	1,654	118,253
Made up of:							
Historical cost	75,025	1,924	158,155	110,819	7,270	1,654	354,847
Provisions for depreciations	(38,400)	(730)	(123,074)	(69,930)	(4,460)	–	(236,594)

Except for construction in progress, the above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	25-50 years
Leasehold lands	50 years
Plant and machinery	15-25 years
Industrial equipment	8-15 years
Office furniture and vehicles	5-15 years

The Company as lessee

The right-of-use assets of the Company comprise leasehold lands, details are disclosed in above-mentioned property, plant and equipment.

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Expense relating to short-term leases	141	141	141
Expense relating to leases of low-value assets	324	377	387
Total cash outflow for leases	465	518	528

As at 31 December 2023, 2024 and 2025, the Company has obtained the ownership certificates for all buildings and the land use right certificates for all leasehold lands, no buildings and lands of the Company were pledged to secure bank borrowings.

The directors of the Company considered no impairment loss on property, plant and equipment for the years ended 31 December 2023, 2024 and 2025.

14. INTANGIBLE ASSETS

Items	Licenses
	RMB'000
Historical cost	10,704
Provisions for amortization	(6,743)
Net as at 1 January 2023	3,961
Changes in 2023:	
Increases	308
Decreases	(52)
Amortization	(1,064)
Net as at 31 December 2023	3,153
Made up of:	
Historical cost	9,247
Provisions for amortization	(6,094)
Net as at 1 January 2024	3,153

APPENDIX I

ACCOUNTANTS' REPORT

Items	Licenses
	<i>RMB'000</i>
Changes in 2024:	
Increases	174
Amortization	<u>(1,100)</u>
Net as at 31 December 2024	<u>2,227</u>
Made up of:	
Historical cost	9,421
Provisions for amortization	<u>(7,194)</u>
Net as at 1 January 2025	<u>2,227</u>
Changes in 2025:	
Increases	81
Amortization	<u>(1,012)</u>
Net as at 31 December 2025	<u>1,296</u>
Made up of:	
Historical cost	9,502
Provisions for amortization	<u>(8,206)</u>

These intangible assets have finite useful lives and are amortized on a straight-line basis over terms of five and ten years.

No impairment was recognized in respect of above intangible assets during the Track Record Period as the management considered that no indicator of impairment was identified.

15. DEFERRED TAXATION

For the purpose of presentation in the statements of financial position, deferred tax assets and liabilities have been offset. The following is the deferred tax balances recognized and movements during the Track Record Period:

	As at 2023		
	Opening balance	Effects to profit or loss	Closing balance
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets:			
Inventory provision	2,479	(68)	2,411
Estimated liabilities	1,350	373	1,723
Other	187	243	430
	<u>4,016</u>	<u>548</u>	<u>4,564</u>
Liabilities:			
Depreciation difference for property, plant and equipment . .	(5,673)	(1,068)	(6,741)
Net total	<u>(1,657)</u>	<u>(520)</u>	<u>(2,177)</u>
	As at 2024		
	Opening balance	Effects to profit or loss	Closing balance
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets:			
Inventory provision	2,411	538	2,949
Estimated liabilities	1,723	(329)	1,394
Other	430	172	602
	<u>4,564</u>	<u>381</u>	<u>4,945</u>
Liabilities:			
Depreciation difference for property, plant and equipment . .	(6,741)	(1,349)	(8,090)
Net total	<u>(2,177)</u>	<u>(968)</u>	<u>(3,145)</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	As at 2025		
	Opening balance	Effects to profit or loss	Closing balance
	RMB'000	RMB'000	RMB'000
Assets:			
Inventory provision	2,949	(377)	2,572
Estimated liabilities	1,394	351	1,745
Other	602	203	805
	<u>4,945</u>	<u>177</u>	<u>5,122</u>
Liabilities			
Depreciation difference for property, plant and equipment . .	(8,090)	(2,472)	(10,562)
Net Total	<u>(3,145)</u>	<u>(2,295)</u>	<u>(5,440)</u>

16. INVENTORIES

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
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	<u>110,840</u>	<u>122,983</u>	<u>126,612</u>
Inventory provision	(9,643)	(11,797)	(10,289)
Total inventories	<u>101,197</u>	<u>111,186</u>	<u>116,323</u>

Movements in provisions for inventories are shown in detail below:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
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	<u>9,643</u>	<u>11,797</u>	<u>10,289</u>

17. TRADE, BILLS AND OTHER RECEIVABLES

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Other non-current receivables			
– third parties	25	27	39
Non-current other receivables	<u>25</u>	<u>27</u>	<u>39</u>
Current trade receivables			
– related parties	35,841	39,727	35,859
– third parties	68,351	77,554	112,464
	104,192	117,281	148,323
Less: Allowance for credit losses	(4)	(4)	(4)
	<u>104,188</u>	<u>117,277</u>	<u>148,319</u>
Current bills receivables (<i>note i</i>)			
– third parties:	–	<u>20,047</u>	<u>15,053</u>
Current other receivables and assets			
– third parties:			
deferred issue cost	–	–	7,963
prepayment and other receivables (<i>note ii</i>)	4,020	1,475	860
	<u>4,020</u>	<u>1,475</u>	<u>8,823</u>
Current trade, bills and other receivables	<u>108,208</u>	<u>138,799</u>	<u>172,195</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Notes:

- i. The Company’s bills receivables are classified as financial assets at FVTOCI, because the bills are held within the business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, and the contractual cash flows are solely payments of principal and interest on the principal amount outstanding. As at 31 December 2024 and 2025, the cumulative gains or losses from fair value changes in the carrying amount of bills receivables is not material.

The Company has discounted certain bills receivables to banks and endorsed to certain suppliers for settlement of trade payables. These bills are issued or guaranteed by reputable PRC banks with high credit ratings, therefore the directors of the Company consider the substantial risks in relation to these bills are interest risk as the credit risk arising from these bills are minimal. Upon the discount/endorsement of these bills, the Company has transferred substantially all the risks of these bills to relevant banks/suppliers, hence the Company has derecognized these bills receivables. As at 31 December 2023, 2024 and 2025, the Company had derecognized bills endorsed to certain suppliers but not expired amounting to RMB35,773,000, RMB24,220,000 and RMB19,362,000, respectively; or discounted to the banks but not expired amounting to RMB 8,920,000, RMB16,388,000 and RMB25,806,000, respectively.

- ii. Prepayment and other receivables include loans to a third party of RMB3,560,000, RMB971,000 and nil as at 31 December 2023, 2024 and 2025 with interest rate of 4.5% per annum respectively.

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the invoice dates at the end of each reporting period:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
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
Trade receivables	104,188	117,277	148,319

As at 31 December 2023, 2024 and 2025, included in the Company’s trade receivables balance are debtors with aggregate carrying amount of RMB4.8 million, RMB18.3 million and RMB11.6 million, respectively, which are past due but not credit-impaired as at the reporting date.

As at 31 December 2024 and 2025, bills receivables were bank acceptance notes aged less than six months. For bills receivables, 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 the accepting banks are state-owned banks and other large or medium size listed banks with good reputation and high credit rating. The Company has assessed that the expected credit losses rate for bills receivables are immaterial, and thus the loss allowance is immaterial.

Details of the assessment on the provision of ECL of trade and other receivables of the Company as at 31 December 2023, 2024 and 2025 are set out in Note 25(b).

18. CASH AND CASH EQUIVALENTS

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Cash	23	22	26
Bank current accounts and deposits	120,420	203,959	346,834
Cash and cash equivalents	120,443	203,981	346,860

Cash and cash equivalents comprise demand deposits held by the Company. Bank balances of the Company carry interests at market rates which were from 0.2% to 1.2%, 0.1% to 0.55% and 0.05% to 0.35% per annum as at December 31, 2023, 2024 and 2025, respectively.

The Company’s cash and bank current accounts and deposits that are denominated in currencies other than RMB are set out below:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
United States Dollars (“USD”)	5,094	2,207	17,436
Euro (“EUR”)	6,009	6,217	28,192

APPENDIX I

ACCOUNTANTS’ REPORT

19. TRADE PAYABLES AND OTHER PAYABLES

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

The following is an aged analysis of trade payables presented based on the invoice dates at the end of each reporting period:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
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
Trade payables	189,461	241,371	279,518

20. CONTRACT LIABILITIES

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
To third parties	4,906	24,741	14,150

Contract liabilities represent the Company’s obligations to transfer goods to customers for which the Company has received considerations (or amount of considerations are 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 would estimate and determine the volume rebates to certain customers based on their completion of performance targets. Those volume rebates would be treated as an advance payment from customers and recorded under contract liabilities.

Contract liabilities that were expected to be settled within the Company’s normal operating cycle are classified as current liabilities. All the contract liabilities at the beginning of the year have been realized to revenue in each year and no revenue recognized in the respective year from the performance obligations satisfied in prior years. The balance of contract liabilities as at 1 January 2023 is RMB1,365,000.

APPENDIX I

ACCOUNTANTS’ REPORT

21. PAID-IN CAPITAL

As disclosed in Note 1, the Company was converted from a limited liability company into a joint stock limited liability company upon approval by the Company’s shareholders meeting held on 16 April 2026. The balance as at 1 January 2023 and 31 December 2023, 2024 and 2025 represented the paid-in capital of the Company prior to the conversion of the Company.

Paid-in capital	RMB’000
Issued and paid:	
At 1 January 2023	168,103
Capital reduction	(53,324)
At 31 December 2023, 2024 and 2025	<u>114,779</u>

In accordance with a shareholder’s resolution passed by the shareholder of the Company, the shareholder, Carraro International S.E., has reduced the Company’s paid-in capital by USD7,500,000 from USD23,643,456 to USD16,143,456 on 3 April 2023. The exchange gain of RMB1,721,000 generated by the reduction of paid-in capital was recognized in the capital reserve.

22. FINANCIAL LIABILITIES

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
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	<u>5,000</u>	<u>–</u>	<u>22,800</u>
	<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	<u>(17)</u>	<u>(29)</u>	<u>(31)</u>
Amounts shown under non-current liabilities	<u>11,000</u>	<u>13,500</u>	<u>38,900</u>

All bank borrowings as at 31 December 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
	RMB’000	RMB’000	RMB’000
Variable-rate borrowings	<u>15,517</u>	<u>26,529</u>	<u>50,031</u>

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:			
Variable-rate borrowings	Loan Prime Rate (“LPR”)+35 basic points	LPR+55 basic points	LPR-30 basic points

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 31 December 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.

Subsequently 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 subsequent borrowings are unsecured, unguaranteed and are repayable by 2029.

APPENDIX I

ACCOUNTANTS’ REPORT

23. PROVISIONS FOR RISK AND LIABILITIES

	As at 31 December		
	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
	<u>3,994</u>	<u>2,317</u>	<u>1,548</u>
Non-current liabilities:			
Warranty provisions	581	1,095	3,420
	<u>4,575</u>	<u>3,412</u>	<u>4,968</u>
	Warranty provision	Other provisions	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2023	1,726	1,324	3,050
Provision accrual	1,408	1,161	2,569
Utilization of provision	(749)	(295)	(1,044)
At 31 December 2023	<u>2,385</u>	<u>2,190</u>	<u>4,575</u>
Provision accrual	2,148	816	2,964
Utilization of provision	(1,804)	(2,323)	(4,127)
At 31 December 2024	<u>2,729</u>	<u>683</u>	<u>3,412</u>
Provision accrual	2,223	738	2,961
Utilization of provision	(821)	(584)	(1,405)
At 31 December 2025	<u>4,131</u>	<u>837</u>	<u>4,968</u>

24. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to the shareholder through the optimization of the debt and equity balance. The Company’s overall strategy remains unchanged during the Track Record Period.

The capital structure of the Company consists of net debt, which includes the bank borrowings disclosed in Note 22, net of cash and cash equivalents and equity of the Company, comprising paid-in capital, capital reserve, statutory reserves and retained profit.

Management of the Company reviews the capital structure on a regular basis and considers the cost of capital and the risks associated with the capital. The Company will balance its overall capital structure through raise of new borrowings or the redemption of existing debts.

APPENDIX I

ACCOUNTANTS’ REPORT

25. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Financial assets			
Financial assets measured at amortized cost	224,765	321,384	495,303
Bills receivables at FVTOCI	–	20,047	15,053
	<u>224,765</u>	<u>341,431</u>	<u>510,356</u>
Financial liabilities			
Financial liabilities measured at amortized cost	205,349	268,175	334,733
	<u>205,349</u>	<u>268,175</u>	<u>334,733</u>

b. Financial risk management objectives and policies

The Company’s financial instruments include trade receivables, bills receivables and other receivables, cash and cash equivalents, trade payables and other payables and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (currency risk, interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risks

The Company’s activities expose it primarily to the market risks of currency risk and interest rate risk. Market risk exposures are further measured by sensitivity analysis. Details of each type of market risks are described as follows:

(i) Currency risk

The Company undertakes certain foreign currency sales and purchases, which expose the Company to foreign currency risk. Certain of the Company’s trade receivables and other receivables, cash and cash equivalents, and trade payables and other payables are denominated in currencies other than the functional currency of the Company and expose to such foreign currency risk. The Company manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

The carrying amounts of the Company’s foreign currencies denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets			Liabilities		
	2023	2024	2025	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
USD	7,299	12,545	17,659	3,305	6,618	4,781
EUR	27,023	21,776	31,556	34,639	38,326	52,777
	<u>7,299</u>	<u>12,545</u>	<u>17,659</u>	<u>3,305</u>	<u>6,618</u>	<u>4,781</u>
	<u>27,023</u>	<u>21,776</u>	<u>31,556</u>	<u>34,639</u>	<u>38,326</u>	<u>52,777</u>

Sensitivity analysis

The Company is mainly exposed to fluctuation in USD and EUR against RMB.

The following table details the Company’s sensitivity to a 5% change in respective foreign currencies against RMB. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts their translation at the year end date for a 5% change in foreign currency rates.

A positive (negative) number below indicates an increase (decrease) in post-tax profit where the respective functional currencies strengthen 5% against the relevant foreign currencies. For a 5% weakening of the respective functional currencies against the relevant foreign currencies, there would be an equal and opposite impact on the post-tax profit.

	Profit for the year		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
USD	150	222	483
EUR	(286)	(621)	(796)
	<u>150</u>	<u>222</u>	<u>483</u>
	<u>(286)</u>	<u>(621)</u>	<u>(796)</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(ii) Interest rate risk

The Company is also exposed to cash flow interest rate risk in relation to variable-rate cash and cash equivalents and borrowings. The directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate cash and cash equivalents and borrowing is insignificant, therefore no sensitivity analysis on such risk has been prepared.

Credit risk and impairment assessment

The Company’s maximum exposure to credit risk which will cause a financial loss to the Company arising from the carrying amount of the respective recognized financial assets as stated in the statements of financial position.

Trade and bills receivables

In order to minimize the credit risk, the directors of the Company have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Trade receivables with credit-impaired are assessed for ECL individually. In addition, the Company uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rate is based on the Company’s historical observed default rates taking into consideration the forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. The Company’s trade receivables are mainly due from customers with high market shares in their respective industries, sound financial positions and good credit standing. In this regard, the directors of the Company consider that the Company’s credit risk is significantly reduced. At 31 December 2023, 2024 and 2025, based on the individually assessed and provision matrix, the Company’s net impairment loss allowance for trade receivables recognized amounted to RMB4,000.

The Company has concentration of credit risk as 34%, 34% and 24% of the total trade receivables was due from the Company’s largest customer and 82%, 93% and 73% of the total trade receivables was due from the Company’s five largest customers at 31 December 2023, 2024 and 2025, respectively. The largest five customers’ principal manufacturing facilities are located in the PRC and Italy.

No ECL has been provided on bills receivables as the directors of the Company considered all the bills receivables have original maturities of six months or less and the accepting banks are state-owned banks and other large or medium size listed banks with good reputation and high credit rating.

Other receivables

For other receivables, the Company has applied the general approach in IFRS 9 to measure the impairment loss allowance at 12m ECL, since the directors of the Company assessed that there has not been any significant increase in credit risk.

In determining the ECL, the management of the Company has taken into account industry-specific factors that could impact the credit quality of the Company’s receivables, general economic conditions of the industry in which the counterparty operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The ECL on other receivables are assessed based on 12m ECL and are considered to be insignificant.

Cash and cash equivalents

The credit risk on cash and cash equivalents is limited because the counterparties are mainly reputable banks and financial institutions with high credit ratings assigned by international credit-rating agencies. No ECL has been recognized historically in respect of the balances.

The Company’s internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL-not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL-not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL-not credit-impaired	Lifetime ECL-not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL-credit-impaired	Lifetime ECL-credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off	Amount is written off

APPENDIX I

ACCOUNTANTS’ REPORT

The table below details the credit risk exposures of the Company’s financial assets, which are subject to ECL assessment:

	<i>Note</i>	<u>External credit rating</u>	<u>Internal credit rating</u>	<u>12-month or lifetime ECL</u>	<u>2023 Gross carrying amount</u>	<u>2024 Gross carrying amount</u>	<u>2025 Gross carrying amount</u>
					<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade receivables . . .	17	N/A	Low risk/ Watch list	Lifetime ECL	104,192	117,281	148,323
Other receivables . . .	17	N/A	Low risk	12m ECL	134	126	124
Bills receivables . . .	17	N/A	Low risk	12m ECL	–	20,047	15,053
Cash and cash equivalents	18	N/A	Low risk	12m ECL	120,443	203,981	346,860

Liquidity risk

In the management of the liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the directors of the Company to finance the Company’s operations and mitigate the effects of fluctuations in cash flows.

The table below analyses the Company’s contractual maturity for its financial liabilities based on the agreed repayment terms. The amounts disclosed in the table are the contractual undiscounted cash flows, based on fixed interest rate.

Liquidity tables

<u>2023</u>	<u>Weighted average effective interest rate</u>	<u>On demand or less than 1 year</u>	<u>1 year to 2 years</u>	<u>2 year to 5 years</u>	<u>>5 years</u>	<u>Total undiscounted amount</u>	<u>Carrying amount</u>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade and other payables	–	189,832	–	–	–	189,832	189,832
Bank borrowings	4.00%	5,085	6,365	5,077	–	16,527	15,517
Total		<u>194,917</u>	<u>6,365</u>	<u>5,077</u>	<u>–</u>	<u>206,359</u>	<u>205,349</u>

<u>2024</u>	<u>Weighted average effective interest rate</u>	<u>On demand or less than 1 year</u>	<u>1 year to 2 years</u>	<u>2 year to 5 years</u>	<u>>5 years</u>	<u>Total undiscounted amount</u>	<u>Carrying amount</u>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade and other payables	–	241,646	–	–	–	241,646	241,646
Bank borrowings	3.85%	13,527	14,363	–	–	27,890	26,529
Total		<u>255,173</u>	<u>14,363</u>	<u>–</u>	<u>–</u>	<u>269,536</u>	<u>268,175</u>

<u>2025</u>	<u>Weighted average effective interest rate</u>	<u>On demand or less than 1 year</u>	<u>1 year to 2 years</u>	<u>2 year to 5 years</u>	<u>>5 years</u>	<u>Total undiscounted amount</u>	<u>Carrying amount</u>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade and other payables	–	284,703	–	–	–	284,703	284,702
Bank borrowings	2.70%	11,155	16,267	22,940	–	50,362	50,031
Total		<u>295,858</u>	<u>16,267</u>	<u>22,940</u>	<u>–</u>	<u>335,065</u>	<u>334,733</u>

APPENDIX I

ACCOUNTANTS’ REPORT

c. Fair value measurements of financial instruments

The following table gives information about how the fair values of financial assets are determined.

	Fair value as at			Fair value hierarchy	Valuation technique and key input	Relationship of unobservable inputs to fair value
	31/12/2023	31/12/2024	31/12/2025			
	RMB’000	RMB’000	RMB’000			
Bills receivables measured at FVTOCI	–	20,047	15,053	Level 2	Discounted cash flow method. Future cashflows are estimated based on discount rate observed in the available market.	N/A

26. CAPITAL COMMITMENTS

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Capital expenditure in respect of acquisition of property, plant and equipment and intangible assets contracted for but not provided in the Historical Financial Information	–	–	191,432

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Company’s liabilities arising from financing activities, including both the cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Company’s statement of cash flows as cash flows from financing activities.

	Bank borrowings	Accrued issue costs	Dividend payables	Interest payables	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2023	–	–	–	–	–
Financing cash flows	15,500	–	(53,796)	(1,151)	(39,447)
Interests on bank borrowings	–	–	–	1,168	1,168
Dividends recognized as distribution	–	–	53,796	–	53,796
At 31 December 2023	15,500	–	–	17	15,517
Financing cash flows	11,000	–	(63,864)	(1,741)	(54,605)
Interests on bank borrowings	–	–	–	1,753	1,753
Dividends recognized as distribution	–	–	63,864	–	63,864
At 31 December 2024	26,500	–	–	29	26,529
Financing cash flows	23,500	(4,069)	–	(320)	19,111
Interests on bank borrowings	–	–	–	322	322
Issue costs accrued	–	7,963	–	–	7,963
At 31 December 2025	50,000	3,894	–	31	53,925

28. RELATED PARTY DISCLOSURES

(a) Names and relationships with related parties during the Track Record Period are as follows:

Names	Relationships
Carraro Argentina S.A.	Controlled by the same ultimate parent company
Carraro India Ltd.	Controlled by the same ultimate parent company
Carraro Drive Tech Italia S.p.A.	Controlled by the same ultimate parent company
Siap S.p.A.	Controlled by the same ultimate parent company
Carraro Finance S.A.	Controlled by the same ultimate parent company
Carraro S.p.A.	The ultimate parent company

APPENDIX I

ACCOUNTANTS' REPORT

(b) Balances with related parties

Trade receivables

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
<i>Trade in nature</i>			
Carraro Drive Tech Italia S.p.A.	33,051	31,949	33,887
Carraro Argentina S.A.	1,694	6,030	–
Carraro India Ltd.	914	711	1,320
Carraro S.p.A.	182	1,037	652
	<u>35,841</u>	<u>39,727</u>	<u>35,859</u>

Trade payables and other payables

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
<i>Trade in nature</i>			
Trade payables			
Carraro S.p.A.	5,949	7,354	13,570
Carraro Drive Tech Italia S.p.A.	5,546	12,994	14,077
Siap S.p.A.	3,337	2,850	4,233
Carraro India Ltd.	1,875	1,812	1,839
Carraro Argentina S.A.	–	77	–
	<u>16,707</u>	<u>25,087</u>	<u>33,719</u>
<i>Non-trade nature</i>			
Other payables			
Carraro Finance S.A (note).	371	275	261
	<u>17,078</u>	<u>25,362</u>	<u>33,980</u>

Note: Amount represents the payables for treasuring management and financing services, which are unsecured, unguaranteed and interest-free. The amounts will be settled prior to [REDACTED].

(c) Transactions with related parties:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
<i>Sales of goods and services</i>			
Carraro Drive Tech Italia S.p.A.	266,265	210,562	217,908
Carraro Argentina S.A.	1,253	6,051	5,986
Carraro India Ltd.	4,401	2,238	3,372
Carraro S.p.A.	1,594	1,905	2,389
Siap S.p.A.	1	–	–
	<u>273,514</u>	<u>220,756</u>	<u>229,655</u>

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
<i>Purchase of raw materials</i>			
Siap S.p.A.	15,700	15,595	10,691
Carraro India Ltd.	8,237	12,758	6,637
Carraro Drive Tech Italia S.p.A.	4,962	5,348	6,010
Carraro Argentina S.A.	124	263	32
Carraro S.p.A.	243	132	159
	<u>29,266</u>	<u>34,096</u>	<u>23,529</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
<u>Royalty fees</u>			
Carraro Drive Tech Italia S.p.A.	18,714	26,167	27,123
Carraro S.p.A.	2,652	3,734	7,982
	<u>21,366</u>	<u>29,901</u>	<u>35,105</u>
<u>Purchase of management services</u>			
Carraro Drive Tech Italia S.p.A.	359	1,706	2,916
Carraro S.p.A.	5,067	5,674	8,261
	<u>5,426</u>	<u>7,380</u>	<u>11,177</u>
<u>Purchase of after-sales services and others</u>			
Carraro Drive Tech Italia S.p.A.	1,626	1,339	1,433
Carraro India Ltd.	–	316	136
	<u>1,626</u>	<u>1,655</u>	<u>1,569</u>
<u>Purchase of consulting services</u>			
Carraro Finance S.A.	669	564	594
	<u>669</u>	<u>564</u>	<u>594</u>

(d) Compensation of key management personnel

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Salaries and allowances	4,492	5,666	5,985
Retirement benefits scheme contributions	183	239	259
Discretionary performance based bonus	1,550	1,121	1,332
	<u>6,225</u>	<u>7,026</u>	<u>7,576</u>

The remuneration of key management personnel (being directors of the Company and other key management of the Company), is determined with reference to the performance of individuals and market trends.

Saved as disclosed elsewhere in this report, the Company has no other related party balance and transaction for and at the end of the Track Record Period.

29. EVENTS AFTER REPORTING PERIOD

The Company entered into an intellectual property assignment agreement with the ultimate parent company, Carraro S.p.A., on 24 December 2025 which would become effective from 1 January 2026, with total cash consideration of EUR23,271,000 (equivalent to RMB191,432,000). The transaction is intended to accelerate the Company’s engineering capabilities, empower the Company to localize and customize products without requiring upstream approvals and shorten engineering cycles. In January 2026, the Company made full payment of all intellectual property consideration.

Save as disclosed above and disclosed in Note 10, Note 12 and Note 22 about the conversion into a joint stock company, dividends payable and new borrowings raised, respectively, there were no other significant events undertaken by the Company after 31 December 2025 and up to the date of this report.

30. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company have been prepared in respect of any period subsequent to 31 December 2025 and up to the date of this report.