
APPENDIX IB ACCOUNTANTS’ REPORT OF RUILIAN XINGCHEN

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION OF RUILIAN XINGCHEN (BEIJING) TECHNOLOGY CO., LTD. TO THE DIRECTORS OF AUTOAI (NANJING) TECHNOLOGY CO., LTD. AND [REDACTED]

Introduction

We report on the historical financial information of Ruilian Xingchen (Beijing) Technology Co., Ltd. (“**Ruilian Xingchen**”) set out on pages IB-3 to IB-24, which comprises the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of Ruilian Xingchen from 28 March 2024 (date of registration) to 16 August 2024 (the “**Pre-acquisition Period**”), and the statement of financial position of Ruilian Xingchen as at 16 August 2024 and material accounting policy information and other explanatory information (together, the “**Ruilian Xingchen Historical Financial Information**”). The Ruilian Xingchen Historical Financial Information set out on pages IB-3 to IB-24 forms an integral part of this report, which has been prepared for inclusion in the document of AutoAI (Nanjing) Technology Co., Ltd. (“**Nanjing AutoAI**”) dated [REDACTED] (the “**Document**”) in connection with the initial [REDACTED] of the shares of Nanjing AutoAI on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Director’s responsibility for the Historical Financial Information

The director of Ruilian Xingchen is responsible for the preparation of the Ruilian Xingchen Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Ruilian Xingchen Historical Financial Information, and for such internal control as the director determines is necessary to enable the preparation of the Ruilian Xingchen 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 Ruilian Xingchen Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Ruilian Xingchen Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Ruilian Xingchen Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Ruilian Xingchen Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Ruilian Xingchen Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Ruilian Xingchen 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 director, as well as evaluating the overall presentation of the Ruilian Xingchen Historical Financial Information.

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

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Opinion

In our opinion, the Ruilian Xingchen Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the financial position of Ruilian Xingchen as at 16 August 2024 and of the financial performance and cash flows of Ruilian Xingchen from 28 March 2024 (date of registration) to 16 August 2024 in accordance with the basis of preparation set out in note 2.1 to the Ruilian Xingchen 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 Ruilian Xingchen Historical Financial Information, no adjustments to the Ruilian Xingchen Underlying Financial Statements as defined on page IB-3 have been made.

Dividends

We refer to note 9 to the Ruilian Xingchen Historical Financial Information which states that no dividends have been paid by Ruilian Xingchen in respect of the Pre-acquisition Period.

[•]
Certified Public Accountants
Hong Kong
[Date]

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I RUILIAN XINGCHEN HISTORICAL FINANCIAL INFORMATION

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

The financial statements of the Ruilian Xingchen for the Pre-acquisition Period, on which the Ruilian Xingchen Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “**Ruilian Xingchen Underlying Financial Statements**”).

The Ruilian Xingchen Historical Financial Information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	From 28 March 2024 (date of registration) to 16 August 2024
		<i>RMB’000</i>
REVENUE		—
Administrative expenses		(132)
Research and development expenses		(23,763)
LOSS BEFORE TAX	5	(23,895)
Income tax expense	8	—
LOSS FOR THE PERIOD		(23,895)
Other comprehensive income for the period, net of tax		—
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(23,895)

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STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	16 August 2024
		<i>RMB’000</i>
NON-CURRENT ASSETS		
Property and equipment	<i>11</i>	66,036
Other intangible assets	<i>12</i>	173,740
Total non-current assets		<u>239,776</u>
CURRENT ASSETS		
Inventories	<i>13</i>	11,131
Prepayments, other receivables and other assets	<i>14</i>	11,135
Cash and cash equivalents	<i>15</i>	16,592
Total current assets		<u>38,858</u>
CURRENT LIABILITIES		
Trade payables	<i>16</i>	17,394
Other payables and accruals	<i>17</i>	97,958
Total current liabilities		<u>115,352</u>
NET CURRENT LIABILITIES		<u>(76,494)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>163,282</u>
Net assets		<u><u>163,282</u></u>
EQUITY		
Paid-in capital	<i>18</i>	100,000
Reserves	<i>19</i>	63,282
Total equity		<u><u>163,282</u></u>

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STATEMENT OF CHANGES IN EQUITY

From 28 March 2024 (date of registration) to 16 August 2024

	<i>Note</i>	<u>Paid-in capital</u> <i>RMB'000</i>	<u>Capital reserve</u> <i>RMB'000</i>	<u>Accumulated losses</u> <i>RMB'000</i>	<u>Total equity</u> <i>RMB'000</i>
28 March 2024 (date of registration)		—	—	—	—
Loss for the period and total comprehensive loss for the period		—	—	(23,895)	(23,895)
Contribution from the equity holder	<i>18</i>	100,000	87,177	—	187,177
16 August 2024		<u>100,000</u>	<u>87,177*</u>	<u>(23,895)*</u>	<u>163,282</u>

* *These reserve accounts comprise the balance of reserves of RMB63,282,000 in the statement of financial position as at 16 August 2024.*

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STATEMENT OF CASH FLOWS

	<i>Notes</i>	From 28 March 2024 (date of registration) to 16 August 2024
		<i>RMB’000</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax.		(23,895)
Adjustments for:		
Depreciation of property and equipment.	<i>11</i>	7,843
Amortisation of other intangible assets.	<i>12</i>	2,889
		<u>(13,163)</u>
Increase in inventories		(11,131)
Increase in prepayments, other receivables and other assets.		(11,135)
Increase in trade payables		17,394
Increase in other payables and accruals		17,782
		<u>(253)</u>
Cash used in operations		(253)
Net cash flows used in operating activities.		<u>(253)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for purchases of property and equipment.		(46,358)
Payments for purchases of other intangible assets.		(123,974)
Net cash flows used in investing activities.		<u>(170,332)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contribution from the equity holder.	<i>18</i>	187,177
Net cash flows from financing activities		<u>187,177</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS.		16,592
Cash and cash equivalents at beginning of period.		—
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u>16,592</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<i>15</i>	16,592
Cash and cash equivalents as stated in the statement of financial position and statement of cash flows		<u>16,592</u>

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II NOTES TO THE RUILIAN XINGCHEN HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Ruilian Xingchen (Beijing) Technology Co., Ltd. was registered as a limited liability company in the People’s Republic of China (the “**PRC**”) on 28 March 2024. The registered office of Ruilian Xingchen is located at unit 101, 4th floor, Building 22, East Zone, No.10 East Xibeiwang Road, Haidian District, Beijing, the PRC. Upon the completion of the acquisition of the entire 100% equity interest of Ruilian Xingchen by AutoAI (Nanjing) Technology Co., Ltd. (“**Nanjing AutoAI**”) on 16 August 2024, Ruilian Xingchen has since become a direct wholly-owned subsidiary of Nanjing AutoAI.

During the Pre-acquisition Period, Ruilian Xingchen is principally engaged in the development of software of smart cockpit and intelligent driving systems in the PRC.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The Ruilian Xingchen Historical Financial Information has been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. The Ruilian Xingchen Historical Financial Information has been prepared under the historical cost convention.

The Ruilian Xingchen Historical Financial Information has been prepared under the going concern basis notwithstanding the fact that, as at 16 August 2024, Ruilian Xingchen recorded net current liabilities amounting to RMB76,494,000, because Nanjing AutoAI has undertaken to provide continual financial support to Ruilian Xingchen to meet its obligations as and when they fall due in the coming twelve months from 16 August 2024. Accordingly, the director of Ruilian Xingchen considers it is appropriate to prepare the Ruilian Xingchen Historical Financial Information on a going concern basis.

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

Ruilian Xingchen has not applied the following new and revised HKFRS Accounting Standards, that have been issued but are not yet effective, in the Ruilian Xingchen Historical Financial Information. Ruilian Xingchen intends to apply these new and revised HKFRS Accounting Standards, if applicable, when they become effective.

HKFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ³
HKFRS 19	<i>Subsidiaries without Public Accountability: Disclosures</i> ³
Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> ²
Amendments to HKFRS 9 and HKFRS 7	<i>Contracts Referencing Nature-dependent Electricity</i> ²
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
Amendments to HKAS 21	<i>Lack of Exchangeability</i> ¹
<i>Annual Improvements to HKFRSs Accounting Standards — Volume 11</i>	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7 ²

¹ Effective for annual periods beginning on or after 1 January 2025

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

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

⁴ No mandatory effective date yet determined but available for adoption

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Further information about those HKFRS Accounting Standards that are expected to be applicable to Ruilian Xingchen is described below.

HKFRS 18 replaces HKAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as HKAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 *Statement of Cash Flows*, HKAS 33 *Earnings per Share* and HKAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other HKFRS Accounting Standards. HKFRS 18 and the consequential amendments to other HKFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The application of HKFRS 18 is not expected to have a material impact on the financial position of the Company but is expected to affect the presentation of the statement of profit or loss and other comprehensive income and statement of cash flows and additional disclosure will be included in the financial statements.

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with HKFRS Accounting Standards. Earlier application is permitted. HKFRS 19 is not expected to have any significant impact on Ruilian Xingchen’s financial information.

Amendments to HKFRS 9 and HKFRS 7 *Amendments to the Classification and Measurement of Financial Instruments* clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits or accumulated losses (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on Ruilian Xingchen’s financial information.

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Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor’s profit or loss only to the extent of the unrelated investor’s interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on Ruilian Xingchen’s financial information.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or accumulated losses or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on Ruilian Xingchen’s financial information.

Annual Improvements to HKFRS Accounting Standards — Volume II set out amendments to HKFRS 1, HKFRS 7 (and the accompanying *Guidance on implementing HKFRS 7*), HKFRS 9, HKFRS 10 and HKAS 7. Details of the amendments that are expected to be applicable to Ruilian Xingchen are as follows:

- *HKFRS 7 Financial Instruments: Disclosures*: The amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing HKFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing HKFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on Ruilian Xingchen’s financial information.
- *HKFRS 9 Financial Instruments*: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3

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of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on Ruilian Xingchen’s financial information.

- *HKFRS 10 Consolidated Financial Statements*: The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on Ruilian Xingchen’s financial information.
- *HKAS 7 Statement of Cash Flows*: The amendments replace the term “cost method” with “at cost” in paragraph 37 of HKAS 7 following the prior deletion of the definition of “cost method”. Earlier application is permitted. The amendments are not expected to have any impact on Ruilian Xingchen’s financial information.

2.3 MATERIAL ACCOUNTING POLICIES

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for a non-financial asset is required (other than inventories), the asset’s recoverable amount is estimated. An asset’s recoverable amount is the higher of the asset’s or cash-generating unit’s value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of the Pre-acquisition Period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to Ruilian Xingchen if:

- (a) the party is a person or a close member of that person’s family and that person
 - (i) has control or joint control over Ruilian Xingchen;
 - (ii) has significant influence over Ruilian Xingchen; or

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(iii) is a member of the key management personnel of Ruilian Xingchen or of a parent of Ruilian Xingchen;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and Ruilian Xingchen are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and Ruilian Xingchen are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either Ruilian Xingchen or an entity related to Ruilian Xingchen;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to Ruilian Xingchen or to the parent of Ruilian Xingchen.

Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, Ruilian Xingchen recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Electronics equipment	19%
Furniture and office and other equipment	19% to 31.67%
Motor vehicles	19%

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Purchased software, patents and licenses are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives. The principal annual rates used for this purpose are as follows:

Purchased software	20%
Patents and licenses	10%

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when Ruilian Xingchen can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

Financial assets

Financial assets are initially recognised at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss. Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that Ruilian Xingchen commits to purchase or sell the assets.

Classification and measurement

Debt instruments are measured at amortised cost using the effective interest rate method, subject to impairment if the assets are held for the collection of contractual cash flows where those contractual cash flows represent solely payments of principal and interest.

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Impairment

Impairment allowances are recognised under the general approach where expected credit losses are recognised in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, Ruilian Xingchen is required to provide for credit losses that result from possible default events within the next 12 months. For those credit exposures where there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure irrespective of the timing of the default.

In certain cases, Ruilian Xingchen may also consider a financial asset to be in default when internal or external information indicates that Ruilian Xingchen is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by Ruilian Xingchen.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired; or where Ruilian Xingchen has transferred its contractual rights to receive the cash flows of the financial assets and has transferred substantially all the risks and rewards of ownership; or where control is not retained.

Financial liabilities

Financial liabilities are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, they are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities are derecognised when they are extinguished, i.e., when the obligation is discharged or cancelled, or expires.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted-average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Contract fulfilment costs

Other than the costs which are capitalised as property, plant and equipment, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

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- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalised contract costs recorded in inventories are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred. An impairment exists if the carrying amount of the capitalised contract exceeds the amount of consideration the entity expects to receive in exchange for providing the associated goods or services, less the remaining costs that relate directly to providing those goods or services. Impairment losses are recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of Ruilian Xingchen’s cash management.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the Pre-acquisition Period, taking into consideration interpretations and practices prevailing in the countries in which Ruilian Xingchen operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the Pre-acquisition Period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Tax rates enacted or substantively enacted by the end of the Pre-acquisition Period are used to determine the deferred tax. Deferred tax liabilities are provided in full while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Pension scheme

The employees of Ruilian Xingchen are required to participate in central pension schemes operated by local municipal governments. Ruilian Xingchen is required to contribute certain percentages of its payroll costs to the central pension schemes. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension schemes.

Events after the reporting period

If Ruilian Xingchen receives information after the end of the Pre-acquisition Period, but prior to the date of authorisation for issue, about conditions that existed at the end of the Pre-acquisition Period, it will assess whether the information affects the amounts that it recognises in the Ruilian Xingchen

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Historical Financial Information. Ruilian Xingchen will adjust the amounts recognised in the Ruilian Xingchen Historical Financial Information to reflect any adjusting events after the end of the Pre-acquisition Period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the end of the Pre-acquisition Period, Ruilian Xingchen will not change the amounts recognised in the Ruilian Xingchen Historical Financial Information, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Ruilian Xingchen Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Ruilian Xingchen’s accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Ruilian Xingchen Historical Financial Information:

Research and development costs

Development expenses incurred on Ruilian Xingchen’s products and services are capitalised and deferred only when Ruilian Xingchen can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, Ruilian Xingchen’s intention to complete and Ruilian Xingchen’s ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development expenses which do not meet these criteria are expensed when incurred. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. During the Pre-acquisition Period, all expenses incurred for research and development activities were expensed when incurred.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Ruilian Xingchen has tax losses of RMB23,895,000 carried forward at the end of Pre-acquisition Period. These losses related to Ruilian Xingchen that has a history of losses and has not expired. Ruilian Xingchen has neither any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis,

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Ruilian Xingchen has determined that it cannot recognise deferred tax assets on the tax losses carried forward. Further details are contained in note 8 to the Ruilian Xingchen Historical Financial Information.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the Pre-acquisition Period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets (other than goodwill)

Ruilian Xingchen assesses whether there are any indicators of impairment for all non-financial assets at the end of the Pre-acquisition Period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4. OPERATING SEGMENT INFORMATION

For management purposes, during the Pre-acquisition Period, Ruilian Xingchen has only one reportable operating segment, which is the development of software of smart cockpit and intelligent driving systems in the PRC, because Ruilian Xingchen’s chief operating decision maker, who has been identified as the Chief Executive Officer (“CEO”), regularly reviews the consolidated results when making decisions about allocating resources and assessing performance of Ruilian Xingchen as a whole. Since this is the only reportable operating segment of Ruilian Xingchen, no further operating segment analysis thereof is presented.

Geographical information

(a) Revenue from external customers

There was no external revenue of Ruilian Xingchen derived from external customers during the Pre-acquisition Period.

(b) Non-current assets

All of Ruilian Xingchen’s non-current assets were located in Mainland China as at the end of the Pre-acquisition Period. The non-current asset information excludes financial instruments and deferred tax assets.

Information about major customers

During the Pre-acquisition Period, there was no single external customer (including entities under common control with that customer) which accounted for 10% or more of Ruilian Xingchen’s revenues.

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5. LOSS BEFORE TAX

Ruilian Xingchen’s loss before tax is arrived at after charging:

	<i>Notes</i>	From 28 March 2024 (date of registration) to 16 August 2024
		<i>RMB’000</i>
Depreciation of property and equipment	<i>11</i>	7,843
Amortisation of other intangible assets	<i>12</i>	2,889
Employee benefit expense (excluding director’s and chief executive’s remuneration (<i>note 6</i>)):		
Wages and salaries		5,755
Social welfare benefits		938
Pension scheme contributions (defined contribution scheme)		710
Total		7,403

6. DIRECTOR’S AND CHIEF EXECUTIVE’S REMUNERATION

The remuneration of Ruilian Xingchen’s director (including the chief executive) during the Pre-acquisition Period is summarised as follows:

	From 28 March 2024 (date of registration) to 16 August 2024
	<i>RMB’000</i>
Fees	—
Other emoluments:	
Salaries, allowances and benefits-in-kind	—
Discretionary performance related bonuses	—
Pension scheme contributions	—
Subtotal	—
Total	—

The remuneration of Ruilian Xingchen’s director is set out below:

	Fees	Salaries, allowances and benefits in kind	Discretionary performance related bonuses	Pension scheme contributions	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
From 28 March 2024 (date of registration) to 16 August 2024					
Mr. Chai Hua*	—	—	—	—	—

* *Mr. Chai Hua is also the chief executive of Ruilian Xingchen.*

There was no arrangement under which the director of Ruilian Xingchen waived or agreed to waive any remuneration and no remuneration was paid by Ruilian Xingchen to the director of Ruilian Xingchen as an inducement to join or upon joining Ruilian Xingchen during the Pre-acquisition Period.

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7. FIVE HIGHEST PAID EMPLOYEES

There is no director included in the five highest paid employees during the Pre-acquisition Period, details of whose remuneration are set out in note 6 above. Details of the remuneration of the remaining five highest paid employees who are neither a director nor chief executive of Ruilian Xingchen for the Pre-acquisition Period are as follows:

	From 28 March 2024 (date of registration) to 16 August 2024
	<i>RMB’000</i>
Salaries, allowances and benefits-in-kind	277
Discretionary performance related bonuses	—
Pension scheme contributions	15
Total	<u>292</u>

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	From 28 March 2024 (date of registration) to 16 August 2024
Nil to HK\$1,000,000	<u>5</u>

8. INCOME TAX

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations, the entities which operate in Mainland China are subject to corporate income tax (“CIT”) at a rate of 25% on the taxable income. No provision for CIT has been made as Ruilian Xingchen was loss making during the Pre-acquisition Period.

A reconciliation of the tax expense applicable to loss before tax at the statutory tax rate of the PRC to the tax expense at the effective tax rate is as follows:

	From 28 March 2024 (date of registration) to 16 August 2024
	<i>RMB’000</i>
Loss before tax	<u>23,895</u>
Tax at the statutory rate	5,974
Tax loss not recognised	<u>(5,974)</u>
Tax charge at Ruilian Xingchen’s effective rate	<u>—</u>

Tax losses amounting to RMB23,895,000 will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

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9. DIVIDENDS

There was no dividend declared or paid by Ruilian Xingchen during the Pre-acquisition Period.

10. LOSS PER SHARE

Information about loss per share is not presented as such information is not meaningful for the purpose of this report.

11. PROPERTY AND EQUIPMENT

	Electronics equipment	Furniture and office and other equipment	Motor vehicles	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 28 March 2024 (date of registration):				
Cost.	—	—	—	—
Accumulated depreciation and impairment	—	—	—	—
Net carrying amount	—	—	—	—
At 28 March 2024, net of accumulated depreciation and impairment	—	—	—	—
Additions	70,240	154	3,485	73,879
Depreciation provided during the period.	(7,485)	(28)	(330)	(7,843)
At 16 August 2024, net of accumulated depreciation and impairment	62,755	126	3,155	66,036
At 16 August 2024:				
Cost.	70,240	154	3,485	73,879
Accumulated depreciation and impairment	(7,485)	(28)	(330)	(7,843)
Net carrying amount	62,755	126	3,155	66,036

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12. OTHER INTANGIBLE ASSETS

	<u>Purchased software</u>	<u>Patents and licenses</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 28 March 2024 (date of registration):			
Cost	—	—	—
Accumulated amortisation and impairment . . .	—	—	—
Net carrying amount	—	—	—
At 28 March 2024, net of accumulated amortisation and impairment	—	—	—
Additions	6,629	170,000	176,629
Amortisation provided during the period	(766)	(2,123)	(2,889)
At 16 August 2024, net of accumulated amortisation and impairment	5,863	167,877	173,740
At 16 August 2024:			
Cost	6,629	170,000	176,629
Accumulated amortisation and impairment . . .	(766)	(2,123)	(2,889)
Net carrying amount	5,863	167,877	173,740

13. INVENTORIES

	<u>16 August 2024</u>
	<i>RMB’000</i>
Contract fulfilment costs	11,131

14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	<u>16 August 2024</u>
	<i>RMB’000</i>
Value-added tax deductibles	11,135

15. CASH AND CASH EQUIVALENTS

	<u>16 August 2024</u>
	<i>RMB’000</i>
Cash and bank balances	16,592

All of the cash and bank balances were denominated in RMB. The RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, Ruilian Xingchen is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

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16. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the Pre-acquisition Period, based on the product or service receipt date, is as follows:

	16 August 2024
	<i>RMB’000</i>
Within 3 months	17,394

Trade payables included amounts due to a fellow subsidiary of Ruilian Xingchen with an aggregate amount of RMB11,799,000 in relation to Ruilian Xingchen’s purchase of services during the Pre-acquisition Period, further details of which are included in note 20 to Ruilian Xingchen Historical Financial Information. The amounts due to a fellow subsidiary were unsecured, interest-free and repayable on demand.

The trade payables are non-interest-bearing and are normally settled within 90 days.

17. OTHER PAYABLES AND ACCRUALS

	16 August 2024
	<i>RMB’000</i>
Payroll and welfare payables	7,247
Other tax payables	54
Other payables	90,657
Total	97,958

Other payables included amounts due to fellow subsidiaries of Ruilian Xingchen with an aggregate amount of RMB90,468,000 in relation to Ruilian Xingchen’s purchase of equipment and patents during the Pre-acquisition Period, further details of which are included in note 20 to Ruilian Xingchen Historical Financial Information. The amounts due to fellow subsidiaries were unsecured, interest-free and repayable on demand.

Other payables are non-interest-bearing and have an average term of three months.

18. PAID-IN CAPITAL

A summary of movements of Ruilian Xingchen’s paid-in capital during the Pre-acquisition Period is as follows:

	From 28 March 2024 (date of registration) to 16 August 2024
	<i>RMB’000</i>
At 28 March 2024 (date of registration)	—
Contribution from the equity holder	100,000
At 16 August 2024	100,000

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On 2 August 2024, Didi Intelligent Transportation Technology Co., Ltd. made a capital contribution of RMB187,177,000 in the form of cash to Ruilian Xingchen, of which RMB100,000,000 and RMB87,177,000 were recorded as paid-in capital and capital reserve, respectively. Didi Intelligent Transportation Technology Co., Ltd. was the sole equity holder of Ruilian Xingchen during the Pre-acquisition Period.

19. RESERVES

Capital reserve

Capital reserve represents the excess of the contributions from the equity holder of Ruilian Xingchen over the corresponding amount of paid-in capital.

20. RELATED PARTY TRANSACTIONS

(a) Ruilian Xingchen had the following related party transactions during the Pre-acquisition Period:

	From 28 March 2024 (date of registration) to 16 August 2024
	<i>RMB’000</i>
Fellow subsidiaries	
Purchase of property and equipment	73,726
Purchase of software and patents	176,629
Purchase of services	11,131
	<u><u>191,486</u></u>

The above transactions were conducted in accordance with the terms and conditions mutually agreed by the parties involved.

(b) Compensation of key management personnel of Ruilian Xingchen

	From 28 March 2024 (date of registration) to 16 August 2024
	<i>RMB’000</i>
Short-term employee benefits	—
Post-employment benefits	—
Total	<u><u>—</u></u>

Further details of director’s and the chief executive’s emoluments are included in note 6 to the Ruilian Xingchen Historical Financial Information.

21. FINANCIAL INSTRUMENTS BY CATEGORY

All of Ruilian Xingchen’s financial assets are categorised under financial assets at amortised cost, which included cash and cash equivalents of RMB16,592,000 at the end of the Pre-acquisition Period.

All of Ruilian Xingchen’s financial liabilities are categorised under financial liabilities at amortised cost, which included trade payables of RMB17,394,000 and financial liabilities included in other payables and accruals of RMB90,657,000 at the end of the Pre-acquisition Period.

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22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade payables, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Ruilian Xingchen’s principal financial instruments comprise cash and bank deposits. The main purpose of these financial instruments is to raise finance for Ruilian Xingchen’s operations. Ruilian Xingchen has various other financial assets and liabilities such as trade payables, which arise directly from its operations.

The main risks arising from Ruilian Xingchen’s financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The maximum exposure of Ruilian Xingchen’s financial assets was RMB16,592,000, which was the carrying amount of cash and cash equivalents at the end of the Pre-acquisition Period. Ruilian Xingchen’s cash and cash equivalents were not yet past due and their period-end staging classification were stage 1, i.e., financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month expected credit loss.

Liquidity risk

Ruilian Xingchen finances its working capital requirements mainly through its cash and cash equivalents and advances from related companies, and Ruilian Xingchen has obtained continual financial support from Nanjing AutoAI, as further detailed in note 2.1 to the Ruilian Xingchen Historical Financial Information.

Ruilian Xingchen’s financial liabilities comprising trade payables of RMB17,394,000 and financial liabilities included in other payables and accruals of RMB90,657,000 at the end of the Pre-acquisition Period, the amounts of which were based on contractual undiscounted payments and were repayable on demand or less than one year.

Capital management

The primary objectives of Ruilian Xingchen’s capital management are to safeguard Ruilian Xingchen’s ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise equity holder’s value.

Ruilian Xingchen manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, Ruilian Xingchen may raise or return capital to equity holders. Ruilian Xingchen is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Pre-acquisition Period.

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Ruilian Xingchen monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes trade payables, and financial liabilities included in other payables and accruals, less cash and cash equivalents. Capital includes the equity. At the end of the Pre-acquisition Period, the gearing ratio is as follows:

	16 August 2024
	<i>RMB’000</i>
Trade payables	17,394
Financial liabilities included in other payables and accruals	90,657
Less: cash and cash equivalents.	(16,592)
Net debt.	<u>91,459</u>
Equity	<u>163,282</u>
Capital and net debt	<u>254,741</u>
Gearing ratio	<u>35.90%</u>

24. EVENTS AFTER THE PRE-ACQUISITION PERIOD

Ruilian Xingchen had no material subsequent events after the Pre-acquisition Period.

25. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Ruilian Xingchen in respect of any period subsequent to 16 August 2024.