The following is the text of a report set out on pages IB-[1] to IB-[81], received from the Company's reporting accountants, Rongcheng (Hong Kong) CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF YUBEI STEERING SYSTEM (XINXIANG) CO., LTD. TO THE DIRECTORS OF BETHEL AUTOMOTIVE SAFETY SYSTEMS CO., LTD. AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of Yubei Steering System (Xinxiang) Co., Ltd. (the "**Target Company**") and its subsidiaries (together, the "**Target Group**") set out on pages IB-[3] to IB-[81], which comprises the consolidated statements of financial position of the Target Group as at December 31, 2023, 2024 and 2025, the statements of financial position of the Target Company as at December 31, 2023, 2024 and 2025 and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the years ended December 31, 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 IB-[3] to IB-[81] forms an integral part of this report, which has been prepared for inclusion in the document of Bethel Automotive Safety Systems Co., Ltd. (the "**Company**") dated [•] (the "**Document**") in connection with the initial **[REDACTED]** of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Note 2 to the Historical Financial Information.

The consolidated financial statements of the Target Group for the Track Record Period ("**Underlying Financial Statements**"), on which the Historical Financial Information is based, were prepared by the directors of the Target Company. The directors of the Target Company are responsible for the preparation and fair presentation of the Underlying Financial Statements in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (the "**IASB**"), and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of Underlying Financial Statements that are 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 ("**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' judgment, including the assessment of risks of material misstatement of the 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 Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and 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 Target 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.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Target Group's consolidated financial position as at December 31, 2023, 2024 and 2025, the Target Company's financial position as at December 31, 2023, 2024 and 2025, and of the consolidated financial performance and consolidated cash flows of the Target Group for the Track Record Period in accordance with the basis of presentation and 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 of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

Dividends

We refer to Note 17 to the Historical Financial Information which contains information about the dividends declared and paid by the Target Company in respect of the Track Record Period.

Rongcheng (Hong Kong) CPA Limited
Certified Public Accountants
[•]
Practicing Certificate Number: [•]
Hong Kong
[Date]

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

The Underlying Financial Statements on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with IFRS Accounting Standards issued by the IASB and were audited by Rongcheng (Hong Kong) CPA Limited in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board.

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended December 31		
		2023	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
Revenue	*5*	3,028,834	2,974,505	3,138,997
Cost of sales	*8*	(2,790,427)	(2,691,964)	(2,766,598)
Gross profit		238,407	282,541	372,399
Other income	*6*	57,905	75,479	54,706
Other (losses) and gains, net	*7*	(3,762)	88	(3,672)
Research and development expenses	*8*	(81,437)	(79,832)	(125,966)
General and administrative expenses	*8*	(99,504)	(107,564)	(117,327)
Selling expenses	*8*	(65,640)	(65,126)	(76,626)
Net impairment losses recognised on financial assets	*20, 21*	(8,966)	(18,470)	(37)
Finance costs	*10*	(6,793)	(6,774)	(7,969)
Share of results of associates and joint ventures, net	*16*	55,259	58,233	59,700
Profit before income tax		85,469	138,575	155,208
Income tax credit/(expense)	*11*	4,525	(4,313)	1,744
Profit for the year		89,994	134,262	156,952
Profit/(loss) for the year attributable to:				
Owners of the Target Company		90,587	134,799	158,103
Non-controlling interests		(593)	(537)	(1,151)
		89,994	134,262	156,952
Other comprehensive income/(loss) for the year, net of tax				
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of financial statements of foreign operations, net of tax		17	1	(15)
Total comprehensive income for the year		90,011	134,263	156,937
Total comprehensive income/(loss) for the year attributable to:				
Owners of the Target Company		90,604	134,800	158,088
Non-controlling interests		(593)	(537)	(1,151)
		90,011	134,263	156,937

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at December 31		
		2023	2024	2025
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	*12*	567,548	569,820	522,590
Right-of-use assets	*13*	54,787	50,354	48,674
Intangible assets	*14*	25,439	23,848	23,993
Investment properties	*15*	1,951	1,836	820
Investments in associates and joint ventures	*16*	291,329	317,658	378,626
Prepayments	*21*	42,783	6,942	39,473
Deferred tax assets	*24*	53,697	62,961	70,970
		1,037,534	1,033,419	1,085,146
Current assets				
Inventories	*19*	200,482	220,192	257,644
Trade and notes receivables	*20*	882,988	1,009,190	1,017,012
Prepayments, other receivables and other assets	*21*	15,907	29,006	26,088
Financial assets at fair value through other comprehensive income	*18*	390,518	397,436	760,007
Restricted bank deposits	*22*	288,582	395,461	430,314
Prepaid income tax		—	—	19
Cash at bank and on hand	*23*	90,380	215,066	248,614
		1,868,857	2,266,351	2,739,698
Current liabilities				
Trade, notes and other payables	*25*	1,961,852	2,106,149	2,181,323
Contract liabilities	*26*	22,925	21,825	25,667
Borrowings	*27*	83	44,654	392,729
Lease liabilities	*13*	4,097	2,034	1,000
Income tax payable		4,785	11,404	392
		1,993,742	2,186,066	2,601,111
Net current (liabilities)/assets		(124,885)	80,285	138,587
Total assets less current liabilities		912,649	1,113,704	1,223,733
Non-current liabilities				
Borrowings	*27*	90,000	174,000	138,600
Lease liabilities	*13*	1,510	—	979
Deferred income	*28*	15,304	11,423	11,451
Provision	*29*	88,671	91,057	119,069
Deferred tax liabilities	*24*	—	—	9
		195,485	276,480	270,108
Net assets		717,164	837,224	953,625

		As at December 31		
		2023	**2024**	**2025**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
EQUITY				
Share capital	*30*	199,342	199,342	199,342
Other reserves	*32*	326,553	338,464	353,490
Retained earnings	*32*	191,092	299,347	399,334
Equity attributable to owners of the Target Company		716,987	837,153	952,166
Non-controlling interests		177	71	1,459
Total equity		717,164	837,224	953,625

STATEMENTS OF FINANCIAL POSITION OF THE TARGET COMPANY

		As at December 31		
	Notes	**2023**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	*12*	516,488	490,212	451,342
Right-of-use assets	*13*	48,367	46,898	45,429
Intangible assets	*14*	12,897	11,751	23,774
Investment properties	*15*	1,951	1,836	820
Investments in associates and joint ventures	*16*	285,335	312,790	372,877
Investments in subsidiaries		180,315	207,315	210,815
Prepayments	*21*	22,729	5,556	39,371
Deferred tax assets	*24*	50,156	54,404	59,608
		1,118,238	1,130,762	1,204,036
Current assets				
Inventories	*19*	188,826	199,856	256,601
Trade and notes receivables	*20*	852,700	973,476	1,000,643
Prepayments, other receivables and other assets	*21*	11,410	19,825	16,670
Financial assets at fair value through other comprehensive income	*18*	387,484	393,177	760,007
Restricted bank deposits	*22*	276,752	379,975	430,314
Cash at bank and on hand	*23*	73,384	197,371	211,426
		1,790,556	2,163,680	2,675,661
Current liabilities				
Trade, notes and other payables	*25*	1,921,890	2,039,904	2,154,578
Contract liabilities	*26*	21,670	20,437	20,994
Borrowings	*27*	35,083	69,654	427,729
Income tax payable		4,752	11,377	392
		1,983,395	2,141,372	2,603,693
Net current (liabilities)/assets		(192,839)	22,308	71,968
Total assets less current liabilities		925,399	1,153,070	1,276,004
Non-current liabilities				
Borrowings	*27*	90,000	174,000	138,600
Deferred income	*28*	15,304	11,423	11,451
Provision	*29*	87,101	88,725	116,814
		192,405	274,148	266,865
Net assets		732,994	878,922	1,009,139
EQUITY				
Share capital	*30*	199,342	199,342	199,342
Other reserves	*32*	278,071	288,655	303,856
Retained earnings	*32*	255,581	390,925	505,941
Total equity		732,994	878,922	1,009,139

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Target Company								
	Share capital	Capital reserve	Special reserve	Other comprehensive income reserve	Statutory reserve	Retained earnings	Sub-total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 30		*Note (c)*	*Note (a)*	*Note (b)*				
As at January 1, 2023	199,342	273,983	32,202	43	9,870	151,541	666,981	770	667,751
Profit/(loss) for the year	—	—	—	—	—	90,587	90,587	(593)	89,994
Other comprehensive income for the year:									
Exchange differences on translation of financial statements of foreign operations, net of tax	—	—	—	17	—	—	17	—	17
Total comprehensive income/(loss) for the year	—	—	—	17	—	90,587	90,604	(593)	90,011
Appropriation of safety production fund	—	—	1,422	—	—	—	1,422	—	1,422
Utilisation of safety production fund	—	—	(3,800)	—	—	—	(3,800)	—	(3,800)
Share-based payment expenses *(Note 31)*	—	699	—	—	—	—	699	—	699
Dividend declared *(Note 17)*	—	—	—	—	—	(39,868)	(39,868)	—	(39,868)
Appropriation of statutory reserve	—	—	—	—	11,168	(11,168)	—	—	—
Share of special reserve of associates and joint ventures *(Note 16)*	—	949	—	—	—	—	949	—	949
As at December 31, 2023	199,342	275,631	29,824	60	21,038	191,092	716,987	177	717,164

	Attributable to owners of the Target Company								
	Share capital	Capital reserve	Special reserve	Other comprehensive income reserve	Statutory reserve	Retained earnings	Sub-total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 30		*Note (c)*	*Note (a)*	*Note (b)*				
As at January 1, 2024	199,342	275,631	29,824	60	21,038	191,092	716,987	177	717,164
Profit/(loss) for the year	—	—	—	—	—	134,799	134,799	(537)	134,262
Other comprehensive income for the year:									
Exchange differences on translation of financial statements of foreign operations, net of tax	—	—	—	1	—	—	1	—	1
Total comprehensive income/(loss) for the year	—	—	—	1	—	134,799	134,800	(537)	134,263
Appropriation of safety production fund	—	—	1,491	—	—	—	1,491	—	1,491
Utilisation of safety production fund	—	—	(6,026)	—	—	—	(6,026)	—	(6,026)
Share-based payment expenses *(Note 31)*	—	2,236	—	—	—	—	2,236	—	2,236
Dividend declared *(Note 17)*	—	—	—	—	—	(9,967)	(9,967)	—	(9,967)
Appropriation of statutory reserve	—	—	—	—	16,146	(16,146)	—	—	—
Share of special reserve of associates and joint ventures *(Note 16)*	—	931	—	—	—	—	931	—	931
Disposal of associate	—	(2,868)	—	—	—	—	(2,868)	—	(2,868)
Transaction with non-controlling shareholder *(Note (d))*	—	—	—	—	—	(431)	(431)	431	—
As at December 31, 2024	199,342	275,930	25,289	61	37,184	299,347	837,153	71	837,224

	Attributable to owners of the Target Company								
	Share capital	Capital reserve	Special reserve	Other comprehensive income reserve	Statutory reserve	Retained earnings	Sub-total	Non-controlling interests	Total equity
	RMB'000 *Note 30*	*RMB'000*	*RMB'000* *Note (c)*	*RMB'000* *Note (a)*	*RMB'000* *Note (b)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2025	199,342	275,930	25,289	61	37,184	299,347	837,153	71	837,224
Profit/(loss) for the year	—	—	—	—	—	158,103	158,103	(1,151)	156,952
Other comprehensive loss for the year:									
Exchange differences on translation of financial statements of foreign operations, net of tax	—	—	—	(15)	—	—	(15)	—	(15)
Total comprehensive income/(loss)for the year	—	—	—	(15)	—	158,103	158,088	(1,151)	156,937
Appropriation of safety production fund	—	—	1,705	—	—	—	1,705	—	1,705
Utilisation of safety production fund	—	—	(5,876)	—	—	—	(5,876)	—	(5,876)
Share-based payment expenses *(Note 31)*	—	1,555	—	—	—	—	1,555	—	1,555
Dividend declared *(Note 17)*	—	—	—	—	—	(39,868)	(39,868)	—	(39,868)
Appropriation of statutory reserve	—	—	—	—	17,209	(17,209)	—	—	—
Share of special reserve of associates and joint ventures *(Note 16)*	—	448	—	—	—	—	448	—	448
Capital contribution from non-controlling shareholder of a newly established subsidiary	—	—	—	—	—	—	—	1,500	1,500
Transaction with non-controlling shareholder *(Note (d))*	—	—	—	—	—	(1,039)	(1,039)	1,039	—
As at December 31, 2025	199,342	277,933	21,118	46	54,393	399,334	952,166	1,459	953,625

Notes:

(a) Other comprehensive income reserve is the reserve due to the translation of financial statements of foreign operations.

(b) It represents the statutory reserve of the Target Company established in the People's Republic of China ("**PRC**").

(c) Pursuant to certain regulations issued by the Ministry of Finance and the Ministry of Emergency Management of the PRC, the Target Group is required to set aside an amount for maintenance, production and other similar funds. The funds can be used for maintenance of production and improvements of safety and are not available for distribution to shareholders.

(d) During the year, the Target Group and non-controlling shareholder conducted a non-pro-rata capital increase in a subsidiary, which was accounted for as an equity transaction and no gain or loss was recognised in profit or loss.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Operating activities			
Profit before income tax	85,469	138,575	155,208
Adjustments for:			
Share of profits of associates and joint ventures, net	(55,259)	(58,233)	(59,700)
Depreciation of property, plant and equipment *(Note 12)*	85,770	94,652	92,704
Depreciation of investment properties *(Note 15)*	115	115	1,016
Depreciation of right-of-use assets *(Note 13)*	5,719	5,062	4,340
Amortisation of intangible assets *(Note 14)*	3,195	3,494	3,554
Net gains on disposal of financial assets at FVTPL	(199)	—	—
Net gains on disposal of investments in associate *(Note 7)*	—	(4,979)	—
Impairment losses on property, plant and equipment *(Note 12)*	155	—	184
Net (gains)/losses on disposal of property, plant and equipment and right-of-use assets *(Note 7)*	(1,016)	387	1,323
Net impairment losses recognised on inventories *(Note 8)*	14,989	16,682	18,248
Finance costs *(Note 10)*	6,793	6,774	7,969
Net impairment losses recognised on financial assets	8,966	18,470	37
Share-based payment expenses *(Note 31)*	699	2,236	1,555
Amortisation of deferred government grants *(Note 6)*	(4,659)	(3,881)	(3,717)
Appropriation of safety production fund	1,422	1,491	1,705
Increase in trade and notes receivables	(226,606)	(144,346)	(7,718)
Increase in financial assets at fair value through other comprehensive income	(83,322)	(6,918)	(362,571)
Decrease/(increase) in prepayments, other receivables and other assets	41,523	(580)	(9,844)
Decrease/(increase) in inventories	115,341	(36,392)	(55,700)
Increase in trade, notes and other payables	47,021	94,271	49,854
Increase /(decrease) in contract liabilities	20,490	(1,100)	3,842
Increase in deferred income	—	—	3,745
(Decrease)/ increase in provisions	(4,757)	2,386	28,012
Increase in restricted bank deposits	(12,729)	(107,824)	(28,383)
Cash generated from/(used in) operations	49,120	20,342	(154,337)
Income tax paid	(215)	(6,958)	(17,367)
Net cash flows generated from/(used in) operating activities	48,905	13,384	(171,704)

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Investing activities			
Purchase of property, plant and equipment	(62,385)	(17,664)	(59,566)
Purchase of intangible assets	(4,564)	(2,990)	(6,116)
Purchase of bank wealth management products	(8,500)	—	—
Proceeds from disposal of property, plant and equipment	2,262	2,653	79
Proceeds from disposal of investments in associate	—	20,259	13,506
Interest received	199	—	—
Dividends received	32,934	—	—
Proceeds from sale of bank wealth management products	20,310	—	—
Net cash flow (used in)/ generated from investing activities	(19,744)	2,258	(52,097)
Financing activities			
Capital contribution from non-controlling shareholder	—	—	1,500
Proceeds from borrowings	270,000	150,000	450,000
Withdrawal of restricted bank deposits	20,021	25,945	2,958
Repayment of borrowings	(240,000)	(21,500)	(137,500)
Interest paid	(6,385)	(6,606)	(7,752)
Dividends paid	(39,868)	(9,967)	(39,868)
Principal portion of lease payments	(3,927)	(4,207)	(2,674)
Placement of restricted bank deposits	(27,081)	(25,000)	(9,428)
Net cash flows (used in)/generated from financing activities	(27,240)	108,665	257,236
Increase in cash and cash equivalents	1,921	124,307	33,435
Cash and cash equivalents at beginning of year *(Note 23)*	88,314	90,380	215,066
Effect of foreign exchange rate changes, net	145	379	113
Cash and cash equivalents at end of year *(Note 23)*	90,380	215,066	248,614

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target Company was a limited liability company incorporated in the PRC on March 15, 2007 and changed to a joint stock limited company on December 22, 2022. The address of the Target Company's registered office and its principal place of business is No. 2398, Muye Avenue, High-tech Zone, Xinxiang City, Henan Province, China.

During the Track Record Period, the Target Company and its subsidiaries are principally engaged in the research and development, manufacturing and sales of automotive steering systems and key components, including electric power steering systems, recirculating ball power steering gears, rack and pinion power steering gears and other steering-related components. The Target Company's products are mainly supplied to brand car manufacturers and cover passenger vehicles, commercial vehicles and new energy vehicles.

The Target Company is jointly controlled by Mr. Zhang Chongjun and his spouse, Ms. Gou Lin, who are the ultimate controlling persons of the Target Company. As at December 31, 2025, through their respective holding platforms, Hubei Dongjun Industrial and Commercial Co., Ltd. and Joyhigh Industrial Limited, Mr. Zhang Chongjun and Ms. Gou Lin indirectly hold 13.63% and 30.44% of the Target Company's shares, respectively, aggregating 44.07% of the total share capital of the Target Company.

2. BASIS OF PRESENTATION AND PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards, which collective term includes all applicable individual International Financial Reporting Standards ("**IFRSs**") , International Accounting Standards ("**IAS**") and Interpretations approved by the IASB. In addition, the Historical Financial Information includes applicable disclosures required by 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 assets which are stated at fair value.

It should be noted that accounting estimates and assumptions are used in preparation of the Historical Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

The material accounting policy information that has been used in the preparation of this Historical Financial Information are disclosed in Note 3.2. These accounting policies have been consistently applied to all the periods presented in the Historical Financial Information, unless otherwise stated.

All IFRS Accounting Standards effective for the accounting period commencing from January 1, 2025, together with the relevant transitional provisions, have been adopted by the Target Group in the preparation of the Historical Financial Information throughout the Track Record Period. The adoption of the IFRS Accounting Standards do not have any significant impact on the financial positions or results of the Target Group during the Track Record Period.

3.1 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

The Target Group has not early adopted the following new and amended IFRS Accounting Standards which have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 7 and IFRS 9	Amendments to the Classification and Measurement of Financial Instruments[1]
Amendments to IFRS 7 and IFRS 9	Contracts Referencing Nature-dependent Electricity[1]
IFRS 18	Presentation and Disclosure in Financial Statements[2]
IFRS 19	Subsidiaries without Public Accountability: Disclosures[2]
Annual Improvements to IFRSs	Annual Improvements to IFRS Accounting Standards — Volume 11[1]
Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency[2]

1 Effective for accounting periods beginning on or after January 1, 2026
2 Effective for accounting periods beginning on or after January 1, 2027
3 Effective dates not yet determined

Except for new IFRS Accounting Standards mentioned below, the directors of the Target Company anticipate that the application of all the other new and amendments to IFRS Accounting Standards will have no material impact on the Historical Financial Information of the Target Group in the foreseeable future.

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 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 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 accounting periods beginning on or after 1 January 2027, with early application permitted. The application of IFRS 18 has no impact on the Target Group's financial positions and has impact on presentation of the consolidated statements of comprehensive income.

3.2 MATERIAL ACCOUNTING POLICY INFORMATION

Basis of consolidation

Subsidiaries are all entities over which the Target Group has control. The Target Group controls an entity when the Target Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated fully from the date on which control is transferred to the Target Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the Historical Financial Information. Where unrealised losses on sales of intra-group assets are reversed in consolidation, the underlying asset is also tested for impairment from the Target Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Target Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated balance sheets, respectively.

In the Target Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

Foreign currency translation

The Historical Financial Information is presented in RMB, which is also the functional currency of the Target Company. Each entity in the Target Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from there translation of monetary assets and liabilities at the end of the reporting period are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e., only translated using the exchange rates at the transaction date). When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income.

In the Historical Financial Information, all individual financial statements of foreign operations, originally presented in a currency different from the Target Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at the end of the reporting period. Income and expenses have been converted into RMB at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the other comprehensive income reserve in equity.

Property, plant and equipment

Property, plant and equipment (other than construction in progress as described below) are initially recognised at acquisition cost and/or manufacturing cost (including any cost directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Target Group's management, including costs of testing whether the related assets are functioning properly). They are subsequently stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Target Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values using the straight-line basis over their estimated useful lives as follow:

Buildings	20 years
Machinery and equipment	5–20 years
Transportation equipment	5–10 years
Electronic equipment and others	3–20 years

Estimates of residual value and useful life are reviewed, and adjusted if appropriate, at the end of each year for the Track Record Period.

Gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

Right-of-use assets

Accounting policies of right-of-use assets (other than prepaid land lease payments) are set out in ''Leases'' below.

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	3–5 years
Land use rights	50 years

Intangible assets

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use. The useful lives are as follows:

	Amortisation period (years)	Basis of determination	Depreciation method
Software	5–10 years	Expected years of economic benefits	Straight-line method

The assets' amortisation methods and useful lives are reviewed, and adjusted if appropriate, at the end of each year for the Track Record Period.

Intangible assets are tested for impairment as described in "Impairment of non-financial assets" below.

Research and development

Costs associated with research activities are expensed in profit or loss as they incur. Costs that are directly attributable to development activities are recognised as intangible assets provided they meet all of the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is intention to complete the intangible asset and use or sell it;

(iii) the Target Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development activities along with an appropriate portion of relevant overheads. The costs of development of internally generated software, products or know-how that meet the above recognition criteria are recognised as intangible assets. They are subject to the same subsequent measurement method as acquired intangible assets.

All other development costs are expensed as incurred.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Target Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Financial assets

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15 "Revenue from Contracts with Customers", all financial assets are initially measured at fair value, in case of a financial asset not at fair value through profit or loss ("**FVTPL**"), plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost;
- FVTPL; or
- Fair value through other comprehensive income ("**FVTOCI**").

The classification is determined by both:

- the Target Group's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

Subsequent measurement of financial assets

Debt instruments

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

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

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included other income or other gains in profit or loss. Discounting is omitted where the effect of discounting is immaterial. Our restricted bank deposits, cash at bank and on hand, trade receivables, other receivables and fixed income certificates fall into this category of financial instruments.

Financial assets at FVTOCI — recycling

If the contractual cash flows of the financial assets comprise solely payments of principal and interest and are held within a business model whose objective is achieved by both the collection of contractual cash flows and sale, subsequent changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit loss ("**ECL**"), interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

Financial assets at FVTPL

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorised at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements under IFRS 9 apply.

Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise ECL — the "ECL model". Instruments within the scope included cash at bank and on hand, trade receivables, notes receivables, and other financial assets measured at amortised cost.

The Target Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Stage 1 — 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 ECLs.

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Cash at bank and on hand and restricted bank deposits

Cash at bank and on hand and restricted bank deposits are considered to have low credit risk because the counterparties are banks and have a low risk of default, and have a strong capacity to meet its contractual cash flow obligations in the near term. Cash at bank and on hand and restricted bank deposits are also subject to the impairment requirements of IFRS 9, while the identified credit loss was immaterial.

Trade and notes receivables

For trade and notes receivables, the Target Group applies the simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL. To measure the expected credit losses, the Target Group has established a provision matrix based on the payment profiles of sales and the corresponding historical credit losses experienced within the relevant periods. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of customers to settle the receivables.

In applying the simplified approach, except for trade and notes receivables with significant outstanding balances which are assessed individually, the remaining trade and notes receivables have been grouped based on shared credit risk characteristics.

Notes receivables measured at FVTOCI

For notes receivables measured at FVTOCI, the Target Group assumes that the credit risk on notes receivables measured at FVTOCI has not increased significantly since initial recognition if the notes receivables measured at FVTOCI is determined to have low credit risk at the end of each reporting period. Notes receivables measured at FVTOCI is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Other receivables and other financial assets measured at amortised cost

The Target Group measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Target Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood of risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Target Group compares the risk of a default occurring on the financial assets at the end of each year for the Track Record Period with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Target Group 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.

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;
- significant deterioration in external market indicators of credit risk, e.g., a significant increase in the credit spread and the credit default swap prices for the debtor;
- existing or forecast adverse changes in regulatory, business, financial, economic conditions, or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and
- an actual or expected significant deterioration in the operating results of the debtor.

For internal credit risk management, the Target Group 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, including the Target Group, in full (without taking into account any collateral held by the Target Group).

Detailed analysis of the ECL assessment of trade and notes receivables, other receivables and other financial assets measured at amortised cost and notes receivables measured at FVTOCI are set out in Note 39.

Financial liabilities

Classification and measurement of financial liabilities

The Target Group's financial liabilities include trade, notes and other payables, borrowings and lease liabilities.

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Target Group designated a financial liability at FVTPL.

Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method except for derivatives which are not designated as hedging instruments in hedge relationships and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in finance costs or other income.

Accounting policies of lease liabilities are set out in "Leases" below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Target Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date of Track Record Period.

Trade, notes and other payables

Trade, notes and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Inventories

Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses. Cost is determined using the weighted average basis, and in the case of finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and on hand, demand deposits with banks and short-term highly liquid investments with original maturities of generally within three months or less or designated for meeting short-term cash needs and that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

Bank balances for which use by the Target Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in Note 22.

Leases

Definition of a lease and the Target Group as a lessee

At inception of a contract, the Target Group considers whether a contract is, or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration". To apply this definition, the Target Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Target Group;
- the Target Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Target Group has the right to direct the use of the identified asset throughout the period of use. The Target Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Target Group recognises a right-of-use asset and a lease liability on the consolidated statements of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Target Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Target Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Target Group is reasonably certain to obtain ownership at the end of the lease term. The Target Group also assesses the right-of-use asset for impairment when such indicator exists.

At the commencement date, the Target Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Target Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

The Target Group remeasures lease liabilities whenever:

- there are changes in lease term or in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

For lease modification that is not accounted for as a separate lease, the Target Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero.

The Target Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less.

Provisions and contingent liabilities

Provisions and contingent liabilities

Provisions are recognised when the Target Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at the end of each year for the Track Record Period and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Target Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities assumed in a business combination

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After the initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be recognised in a comparable provision as described above. Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed as per above.

Share capital

Share capital is classified as equity. Share capital is recognised at the amount of consideration of shares issued, after deducting any transaction costs associated with the issue of shares (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

Revenue recognition

Revenue mainly arises from sales of automotive components products;

To determine whether to recognise revenue, the Target Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when or as performance obligations are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised at a point in time, when the Target Group satisfies performance obligations by transferring the promised goods or services to its customers.

Revenue from sale of goods

Revenue from sale of goods between the Target Group and its customers generally only includes a performance obligation for the transfer of goods, which is recognised when the performance obligation has been satisfied at a point in time.

For sales to customers in Chinese Mainland, in accordance with the terms of the contract, revenue is recognised either after the products are delivered to the customer's manufacturing warehouse and confirmed for use, or after the products are delivered to the customer's designated location and accepted by the customer.

For sales to overseas customers, revenue is recognised at the point in time when control of the products is transferred to the customer in accordance with the mutually agreed international commerce terms specified in the contract.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Target Group will comply with all attached conditions. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Impairment of non-financial assets

The following assets are subject to impairment testing:

- Intangible assets;
- Property, plant and equipment;
- Right-of-use assets; and
- The Target Company's investments in subsidiaries, associates and joint ventures.

Assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions 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 assessment of time value of money and the risk specific to the asset.

For the purpose of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e., a CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level. Corporate assets are allocated to individual CGUs, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Employee benefits

Short-term employee benefits

Salaries, discretionary bonuses, paid annual leave and the cost of non-monetary benefits are accrued and recognised in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Retirement benefits

Pension scheme

Retirement benefits to employees are provided through defined contribution plans. The employees of the Target Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. Contributions are recognised as an expense in profit or loss as employees render services during the year. The Target Group's obligations under these plans are limited to the fixed percentage contributions payable.

Housing funds, medical insurances and other social insurances

Employees of the Target Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Target Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Target Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed is incurred.

Termination benefits

Termination benefits are recognised at the earlier of when the Target Group can no longer withdraw the offer of those benefits and when the Target Group recognises restructuring costs involving the payment of termination benefits.

Share-based employee compensation

The Target Group operates share-based compensation plans for remuneration of its employees including share award schemes.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets and performance conditions).

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the "capital reserve" in equity. If vesting conditions apply, the expense is recognised over the vesting period based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates. Any adjustment to cumulative share-based compensation resulting from a revision is recognised in the current period.

Borrowing costs

Borrowing costs incurred, net of any investment income earned on the temporary investment of the specific borrowings, for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Accounting for income taxes

Income tax comprises current tax and deferred income tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the end of the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred income tax is calculated using the liability method on temporary differences at the end of the reporting period between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred income tax liabilities are generally recognised for all taxable temporary differences. Deferred income tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred income tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss and does not give rise to equal taxable and deductible temporary differences.

Deferred income tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint venture, except where the Target Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Target Group applies the requirements in IAS 12 to the lease liabilities and the related assets separately. The Target Group recognises a deferred income tax asset related to the lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred income tax liability for all taxable temporary differences.

Deferred income tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the end of each year for the Track Record Period.

Changes in deferred income tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

When different tax rates apply to different levels of taxable income, deferred income tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable income of the periods in which the temporary differences are expected to reverse.

The determination of the average tax rates requires an estimation of (i) when the existing temporary differences will reverse and (ii) the amount of future taxable profit in those years. The estimate of future taxable profit includes:

- income or loss excluding reversals of temporary differences; and
- reversals of existing temporary differences.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Target Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The Target Group presents deferred income tax assets and deferred income tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred income tax liabilities or assets are expected to be settled or recovered.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of Historical Financial Information requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Target Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Target Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Target Group's past history, existing market conditions, as well as forward-looking estimates at the end of each year for the Track Record Period. Details of the key assumptions and inputs used are disclosed in the tables in Note 39.

Inventory provision

Inventories are stated at the lower of cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Even though the management of the Target Group has made the best estimate about the inventory write-down loss predicted to occur and provided allowance for write-down, the write-down assessment may still be significantly changed due to the change of market situation.

Income taxes and deferred income taxations

There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgements are required from the Target Group in determining the provisions for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

The Target Group recognises deferred income tax assets based on estimates that it is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilised. The recognition of deferred income tax assets mainly involves management's judgements and estimations about the timing and the amount of taxable profits of the companies who has tax losses.

Provisions

Provision was made for estimated warranty claims in respect of products sold which were still under retention period. The amount of the provision for the warranties is estimated based on the best estimate of the expenditure required to fulfil the relevant current obligation. Any increase or decrease in the provision would affect profit or loss in current and future years.

5. REVENUE AND SEGMENT INFORMATION

The Target Group's principal activities are disclosed in Note 1 to the Historical Financial Information. The Target Group's revenue from the transfer of goods at a point in time were analysed as follows:

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Type of goods sold			
— Intelligent electronic control products	1,509,954	1,420,215	1,688,769
— Mechanical steering products	1,427,119	1,460,790	1,373,638
— Others *(Note)*	91,761	93,500	76,590
	3,028,834	2,974,505	3,138,997

Note: Others mainly represent spare parts and molds.

All revenue from contracts with customers within the scope of IFRS 15 are recognised at a point in time. The Target Group has applied the practical expedient in paragraph 121 of IFRS 15 to its sales of goods such that it does not disclose the information about its remaining performance obligations as the contracts have an original expected duration of one year or less.

The credit period granted to customers is generally within 30–120 days during the Track Record Period. The contracts do not have a significant financing component. The revenue is measured based on consideration specified in the contract with customers, as well as adjusted for any variable consideration (i.e., annual price reduction) based in contract terms and historical patterns.

The operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the **"CODM"**). The Target Group's management reviews the performance of the Target Group as a single operating segment based on the internal organisation structure, management requirements and internal reporting system. Accordingly, only entity-wide disclosure, along with the Target Group's result and financial position as a whole, major customers and geographic information are presented.

The following table shows how much of the revenue recognised during the Track Record Period relates to carried-forward contract liabilities:

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	28,923	20,949	18,295

Geographical information

The following table sets out the information about the geographical location of the Target Group's revenue from external customers based on the geographical location of customers to which the goods are delivered:

	Year ended December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from external customers			
— Chinese Mainland	2,729,142	2,569,873	2,661,261
— Other countries/regions	299,692	404,632	477,736
	3,028,834	2,974,505	3,138,997

The geographical location of the Target Group's non-current assets (excluding deferred tax assets, financial assets and investments in associates and joint ventures), mainly comprised of the property, plant and equipment, right of use assets and intangible assets, is based on the physical location of these assets. As at the end of each year for the Track Record Period, the geographical locations of the Target Group's non-current assets are all in Chinese Mainland.

Information about major customers

Revenue derived from customers individually contributed over 10% of the Target Group's revenue during the Track Record Period is as follows:

	Year ended December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Customer A	944,704	782,192	714,261
Customer B	350,186	474,268	594,128
Customer C	N/A[(a)]	320,051	346,416
	1,294,890	1,576,511	1,654,805

Notes:

(a) The corresponding revenue for the customer didn't contribute over 10% of the total revenue of the Target Group during the year.

(b) The group of entities under common control of a reporting entity is considered as a single customer.

6. OTHER INCOME

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Rendering of research and development services	16,235	27,447	12,315
Additional deduction for value added tax ("**VAT**")	13,565	14,619	11,564
Net rental income	7,427	8,432	7,802
Consulting and processing service income	6,073	8,385	9,723
Amortization of deferred government grants	4,659	3,881	3,717
Interest income	3,484	5,131	5,638
Other government grants *(Note (a))*	3,377	6,737	3,341
Others	3,085	847	606
	57,905	75,479	54,706

Note:

(a) During the Track Record Period, government grants have no unfulfilled condition or contingencies.

7. OTHER (LOSSES) AND GAINS, NET

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Net losses on disposal of notes receivables measured at FVTOCI	(4,423)	(3,627)	(182)
Net gains/(losses) on disposal of property, plant and equipment and right-of-use assets	1,016	(387)	(1,323)
Net gains on disposal of investments in associate	—	4,979	—
Losses on damaged inventories	—	—	(2,969)
Others	(355)	(877)	802
	(3,762)	88	(3,672)

8. EXPENSES BY NATURE

Expenses included in cost of sales, research and development expenses, general and administrative expenses and selling expenses are analysed as follows:

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Changes in finished goods	56,247	(34,752)	(36,838)
Raw materials consumed for production	2,264,605	2,247,852	2,251,364
Employee benefit expenses, excluding share-based payment expenses *(Note 9)*	355,960	367,877	403,652
Share-based payment expenses *(Note 31)*	699	2,236	1,555
Depreciation of property, plant and equipment *(Note 12)*	85,770	94,652	92,704
Amortization of intangible assets *(Note 14)*	3,195	3,494	3,554
Depreciation of right-of-use assets *(Note 13)*	5,719	5,062	4,340
Net impairment losses recognized on inventories	14,989	16,682	18,248
Warranty costs *(Note 29)*	44,229	52,199	114,112
Energy and fuel costs	33,022	34,737	34,766
Logistics fees	29,001	23,052	25,484
Research, testing and development fees	25,531	24,937	36,412
Packaging fees	19,767	18,837	19,942
Warehousing expenses	16,509	9,234	11,377
Lease expenses	16,164	14,672	19,806
Maintenance costs	12,820	8,382	15,557
Travel expenses	10,458	10,877	14,290
Auditor's remuneration	377	566	566
Others	41,946	43,890	55,626
	3,037,008	2,944,486	3,086,517

9. EMPLOYEE BENEFIT EXPENSES

(a) Employee benefit expenses are analysed as follows:

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances, discretionary bonuses and benefits in kind	328,244	339,546	370,896
Retirement scheme contributions	27,558	28,187	30,054
Termination benefits	158	144	2,702
Share-based payment expenses *(Note 31)*	699	2,236	1,555
	356,659	370,113	405,207

(b) Directors' and supervisors' emoluments

Directors' and supervisors' emoluments for the Track Record Period, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, are as follows:

	Fees	Salaries, allowances, discretionary bonuses and benefits in kind	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2023				
Executive directors				
Mr. Zhang Chongjun *(Note (i))*	—	—	—	—
Non-executive directors				
Mr. Cui Bentao *(Note (ii))*	—	—	—	—
Mr. Zhang Kai *(Note (iii))*	—	—	—	—
Mr. Wang Yimiao *(Note (iv))*	—	—	—	—
Mr. Zhang Yu *(Note (v))*	—	—	—	—
Mr. Gao Zhiyuan *(Note (vi))*	—	—	—	—
Independent non-executive directors				
Mr. Qiu Shaoling	78	—	—	78
Ms. Yang Zhenmei	78	—	—	78
Dr. He Limei	78	—	—	78
Supervisors				
Mr. Wang Guanming *(Note (vii))*	—	—	—	—
Mr. Zheng Houlin	—	885	53	938
Mr. Zheng Chao	—	375	40	415
Mr. Liu Peng *(Note (viii))*	—	—	—	—
	234	1,260	93	1,587

	Fees	Salaries, allowances, discretionary bonuses and benefits in kind	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2024				
Executive directors				
Mr. Zhang Chongjun *(Note (i))*	—	—	—	—
Non-executive directors				
Mr. Zhang Kai *(Note (iii))*	—	—	—	—
Mr. Wang Yimiao *(Note (iv))*	—	—	—	—
Mr. Zhang Yu *(Note (v))*	—	—	—	—
Mr. Gao Zhiyuan *(Note (vi))*	—	—	—	—
Mr. Xiao Yu *(Note (ix))*	—	—	—	—
Dr. Fan Jianqiang *(Note (x))*	—	—	—	—
Independent non-executive directors				
Mr. Qiu Shaoling	78	—	—	78
Ms. Yang Zhenmei	78	—	—	78
Dr. He Limei	78	—	—	78
Supervisors				
Mr. Zheng Houlin	—	825	54	879
Mr. Zheng Chao	—	363	42	405
Mr. Liu Peng *(Note (viii))*	—	—	—	—
	234	1,188	96	1,518

	Fees	Salaries, allowances, discretionary bonuses and benefits in kind	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2025				
Executive directors				
Mr. Zhang Chongjun *(Note (i))*	—	—	—	—
Non-executive directors				
Mr. Zhang Kai *(Note (iii))*	—	—	—	—
Mr. Zhang Yu *(Note (v))*	—	—	—	—
Mr. Xiao Yu *(Note (ix))*	—	—	—	—
Dr. Fan Jianqiang *(Note (x))*	—	—	—	—
Independent non-executive directors				
Mr. Qiu Shaoling	78	—	—	78
Ms. Yang Zhenmei	78	—	—	78
Dr. He Limei	78	—	—	78
Supervisors				
Mr. Zheng Houlin	—	764	68	832
Mr. Zheng Chao	—	402	47	449
Mr. Liu Peng *(Note (viii))*	—	—	—	—
	234	1,166	115	1,515

Notes:

(i) Mr. Zhang Chongjun is the chairman of the board of directors. He concurrently holds positions in several companies related to the Target Group, including Hubei Dongjun Industrial and Commercial Co., Ltd. (a minority shareholder of the Target Company) and Yubei-CSA (Xinxiang) Auto Tech Co., Ltd. He did not receive any remuneration from the Target Company in respect of his services rendered to the Target Company, as his emoluments, social insurance and other related benefits are borne by such other companies where he serves. The management of the Target Company considers there is no reasonable basis for such allocation of his remunerations between the Target Company and such other companies.

(ii) Mr. Cui Bentao resigned as a non-executive director of the Target Company on April 7, 2023. He is dispatched by one of the shareholders of the Target Company (Xinxiang Aviation Industry (Group) Co., Ltd.). He did not receive any remuneration from the Target Company in relation to his services rendered for the Target Company. His remunerations were borne by Xinxiang Aviation Industry (Group) Co., Ltd. The management of the Target Company considers there is no reasonable basis for such allocation of his remunerations between the Target Company and Xinxiang Aviation Industry (Group) Co., Ltd.

(iii) Mr. Zhang Kai is dispatched by one of the shareholders of the Target Company (Joyhigh Industrial Limited). He did not receive any remuneration from the Target Company in relation to his services rendered for the Target Company. His remunerations were borne by Joyhigh Industrial Limited. The management of the Target Company considers there is no reasonable basis for such allocation of his remunerations between the Target Company and Joyhigh Industrial Limited.

(iv) Mr. Wang Yimiao resigned as a non-executive director of the Target Company on November 28, 2024. He is dispatched by one of the shareholders of the Target Company (Joyhigh Industrial Limited). He did not receive any remuneration from the Target Company in relation to his services rendered for the Target Company. His remunerations were borne by Joyhigh Industrial Limited. The management of the Target Company considers there is no reasonable basis for such allocation of his remunerations between the Target Company and Joyhigh Industrial Limited.

(v) Mr. Zhang Yu is dispatched by one of the shareholders of the Target Company (Hefei Huaxin Cloud Automotive Electronics Investment Partnership Enterprise (L.P.)). He did not receive any remuneration from the Target Company in relation to his services rendered for the Target Company. His remunerations were borne by Hefei Huaxin Cloud Automotive Electronics Investment Partnership Enterprise (L.P.). The management of the Target Company considers there is no reasonable basis for such allocation of his remunerations between the Target Company and Hefei Huaxin Cloud Automotive Electronics Investment Partnership Enterprise (L.P.).

(vi) Mr. Gao Zhiyuan was appointed as a non-executive director on May 15, 2023 and resigned as a non-executive director on November 28, 2024. He is dispatched by one of the shareholders of the Target Company (Xinxiang Xinhang Electromechanical Technology Co., Ltd.). He did not receive any remuneration from the Target Company in relation to his services rendered for the Target Company. His remunerations were borne by Xinxiang Xinhang Electromechanical Technology Co., Ltd. The management of the Target Company considers there is no reasonable basis for such allocation of his remunerations between the Target Company and Xinxiang Xinhang Electromechanical Technology Co., Ltd.

(vii) Mr. Wang Guanming resigned as a supervisor of the Target Company on May 15, 2023. He is dispatched by one of the shareholders of the Target Company (Xinxiang Xinhang Electromechanical Technology Co., Ltd.). He did not receive any remuneration from the Target Company in relation to his services rendered for the Target Company. His remunerations were borne by Xinxiang Xinhang Electromechanical Technology Co., Ltd. The management of the Target Company considers there is no reasonable basis for such allocation of his remunerations between the Target Company and Xinxiang Xinhang Electromechanical Technology Co., Ltd.

(viii) Mr. Liu Peng was appointed as a supervisor of the Target Company on May 15, 2023. He is dispatched by one of the shareholders of the Target Company (Xinxiang Xinhang Electromechanical Technology Co., Ltd.). He did not receive any remuneration from the Target Company in relation to his services rendered for the Target Company. His remunerations were borne by Xinxiang Xinhang Electromechanical Technology Co., Ltd. The management of the Target Company considers there is no reasonable basis for such allocation of his remunerations between the Target Company and Xinxiang Xinhang Electromechanical Technology Co., Ltd.

(ix) Mr. Xiao Yu was appointed as a non-executive director of the Target Company on November 28, 2024. He is dispatched by one of the shareholders of the Target Company (Xinxiang Xinhang Electromechanical Technology Co., Ltd.). He did not receive any remuneration from the Target Company in relation to his services rendered for the Target Company. His remunerations were borne by Xinxiang Xinhang Electromechanical Technology Co., Ltd. The management of the Target Company considers there is no reasonable basis for such allocation of his remunerations between the Target Company and Xinxiang Xinhang Electromechanical Technology Co., Ltd.

(x) Dr. Fan Jianqiang was appointed as a non-executive director of the Target Company on November 28, 2024. He is dispatched by one of the shareholders of the Target Company (Joyhigh Industrial Limited). He did not receive any remuneration from the Target Company in relation to his services rendered for the Target Company. His remunerations were borne by Joyhigh Industrial Limited. The management of the Target Company considers there is no reasonable basis for such allocation of his remunerations between the Target Company and Joyhigh Industrial Limited.

(xi) Fees, salaries, allowances and benefits in kind paid to or for the executive directors, non-executive directors and independent non-executive directors of the Target Company and supervisors are generally emoluments paid or receivable in respect of services in connection with the management of the affairs of the Target Company and its subsidiaries.

(xii) There was no arrangement under which executive directors, non-executive directors, independent non-executive directors and supervisors waived or agreed to waive any remuneration during the Track Record Period. No emolument was paid by the Target Group to the executive directors, non-executive directors and independent non-executive directors of the Target Company and supervisors as an inducement to join or upon joining the Target Group or as compensation for loss of office for the Track Record Period.

(c) Five Highest Paid Individuals

During the years ended December 31, 2023, 2024 and 2025, the five highest paid individuals included 1, nil and nil directors or supervisors, respectively, whose emoluments are reflected in Note 9(b) above. The aggregate emoluments payable to the remaining 4, 5, and 5 individuals during the years ended December 31, 2023, 2024 and 2025 are as follows:

	Year ended December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances, discretionary bonuses and benefits in kind	4,735	6,088	7,032
Retirement scheme contributions	242	274	324
	4,977	6,362	7,356

The discretionary bonus is determined by reference to individual performance of the employees and approved by the management of the Target Group. The emoluments of the remaining highest paid individuals fell within the following bands:

	Year ended December 31		
	2023	**2024**	**2025**
HK$1,000,001–HK$1,500,000	3	4	3
HK$1,500,001–HK$2,000,000	1	1	2
	4	5	5

10. FINANCE COSTS

	Year ended December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Interest expense on borrowings	6,293	6,529	7,821
Interest expense on lease liabilities *(Note 13)*	137	214	148
Other finance costs	363	31	—
	6,793	6,774	7,969

11. INCOME TAX EXPENSE

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current income tax	107	13,577	6,256
Deferred income tax *(Note 24)*	(4,632)	(9,264)	(8,000)
Income tax expense	(4,525)	4,313	(1,744)

Taxes on profits assessable have been calculated at the rate of tax prevailing in the jurisdictions in which relevant entities operate.

(a) PRC Enterprise Income Tax ("EIT")

Under the PRC Enterprise Income Tax Law and the respective regulations, the EIT for the Target Company and its subsidiaries are calculated at a statutory rate of 25%, on their estimated taxable profits for the respective year based on the existing legislations, interpretations and practices in respect thereof.

Pursuant to the relevant laws and regulations in the PRC and with approval from the tax authorities in charge, the Target Company, was qualified as "High and New Technology Enterprises (HNTE)" and are therefore entitled to a preferential tax rate of 15% for a valid period of 3 years.

(b) Corporate income tax in other jurisdictions

Taxation for other overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

Reconciliation between the income tax expense and profit before income tax in the consolidated statements of comprehensive income is as follows:

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax	85,469	138,575	155,208
Tax at the PRC statutory tax rate of 25%	21,367	34,644	38,802
Tax effect of			
— preferential or different tax rates of the Target Company and its subsidiaries	(10,524)	(16,634)	(17,152)
— non-taxable income	(8,207)	(5,455)	(8,946)
— non-deductible expenses	1,635	626	444
— unrecognized tax losses and temporary differences	3,472	1,999	1,933
— additional deduction of research and development expenses	(11,827)	(10,681)	(16,656)
— others	(441)	(186)	(169)
Income tax expense	(4,525)	4,313	(1,744)

12. PROPERTY, PLANT AND EQUIPMENT

The Target Group

	Buildings	Machinery and equipment	Transportation equipment	Electronic equipment and others	Construction in progress	Total
	RMB'000 *Note(a)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2023						
Cost	170,901	1,028,878	8,609	63,990	36,046	1,308,424
Accumulated depreciation	(45,046)	(638,395)	(5,626)	(42,055)	—	(731,122)
Accumulated impairment	—	(1,899)	—	—	(3,350)	(5,249)
Net carrying amount	125,855	388,584	2,983	21,935	32,696	572,053
Year ended December 31, 2023						
Opening net carrying amount	125,855	388,584	2,983	21,935	32,696	572,053
Additions	—	—	1,226	10,965	70,574	82,765
Disposals	—	(388)	(179)	(305)	(473)	(1,345)
Depreciation *(Note (b))*	(5,844)	(73,324)	(781)	(5,821)	—	(85,770)
Impairment	—	(155)	—	—	—	(155)
Transfers	—	59,700	—	—	(59,700)	—
Closing net carrying amount	120,011	374,417	3,249	26,774	43,097	567,548
As at December 31, 2023						
Cost	170,901	1,076,435	8,967	73,811	43,097	1,373,211
Accumulated depreciation	(50,890)	(700,680)	(5,718)	(47,037)	—	(804,325)
Accumulated impairment	—	(1,338)	—	—	—	(1,338)
Net carrying amount	120,011	374,417	3,249	26,774	43,097	567,548
Year ended December 31, 2024						
Opening net carrying amount	120,011	374,417	3,249	26,774	43,097	567,548
Additions	—	—	490	2,466	97,229	100,185
Disposals	(110)	(1,291)	(81)	(8)	(1,771)	(3,261)
Depreciation *(Note (b))*	(5,351)	(80,969)	(804)	(7,528)	—	(94,652)
Transfers	—	121,610	—	—	(121,610)	—
Closing net carrying amount	114,550	413,767	2,854	21,704	16,945	569,820
As at December 31, 2024						
Cost	170,791	1,192,901	9,196	76,113	16,945	1,465,946
Accumulated depreciation	(56,241)	(777,941)	(6,342)	(54,409)	—	(894,933)
Accumulated impairment	—	(1,193)	—	—	—	(1,193)
Net carrying amount	114,550	413,767	2,854	21,704	16,945	569,820
Year ended December 31, 2025						
Opening net carrying amount	114,550	413,767	2,854	21,704	16,945	569,820
Additions	—	—	646	5,646	41,069	47,361
Disposals	—	(495)	(25)	(1,183)	—	(1,703)
Depreciation *(Note (b))*	(7,133)	(78,177)	(791)	(6,603)	—	(92,704)
Impairment	—	(184)	—	—	—	(184)
Transfers	1,255	19,766	—	—	(21,021)	—
Closing net carrying amount	108,672	354,677	2,684	19,564	36,993	522,590

	Buildings	Machinery and equipment	Transportation equipment	Electronic equipment and others	Construction in progress	Total
	RMB'000 *Note(a)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2025						
Cost	172,046	1,189,444	9,382	78,902	36,993	1,486,767
Accumulated depreciation	(63,374)	(833,761)	(6,698)	(59,338)	—	(963,171)
Accumulated impairment	—	(1,006)	—	—	—	(1,006)
Net carrying amount	108,672	354,677	2,684	19,564	36,993	522,590

Notes:

(a) The Target Group's buildings located in the PRC with the carrying amounts of the buildings amounting to approximately RMB2,151,000, RMB2,005,000 and RMB1,835,000 as at December 31, 2023, 2024 and 2025, respectively, are in the process of obtaining the ownership certificates. The directors of the Target Company are of the opinion, the Target Group is entitled to lawfully and validly occupy and use the buildings, and therefore the aforesaid matter did not have any significant impact on the Target Group's statements of financial positions as at December 31, 2023, 2024 and 2025. As of the date of this report, all ownership certificates are still being processed.

(b) Depreciation of the Target Group's property, plant and equipment has been recognized as follows:

	Year ended December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Cost of sales	76,482	83,885	80,827
General and administrative expenses	6,154	7,811	7,892
Research and development expenses	3,038	2,813	3,903
Selling expenses	96	143	82
	85,770	94,652	92,704

(c) There is no property, plant and equipment of the Target Group pledged at the end of each year for the Track Record Period.

The Target Company

	Buildings	Machinery and equipment	Transportation equipment	Electronic equipment and others	Construction in progress	Total
	RMB'000 *Note(a)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2023						
Cost	166,354	971,187	6,492	55,750	28,378	1,228,161
Accumulated depreciation	(43,199)	(608,265)	(4,140)	(35,478)	—	(691,082)
Accumulated impairment	—	(1,899)	—	—	(3,350)	(5,249)
Net carrying amount	123,155	361,023	2,352	20,272	25,028	531,830
Year ended December 31, 2023						
Opening net carrying amount	123,155	361,023	2,352	20,272	25,028	531,830
Additions	—	7,375	940	8,089	50,608	67,012
Disposals	—	(387)	(91)	(291)	(473)	(1,242)
Depreciation	(5,688)	(69,611)	(651)	(5,007)	—	(80,957)
Impairment	—	(155)	—	—	—	(155)
Transfers	—	55,191	—	—	(55,191)	—
Closing net carrying amount	117,467	353,436	2,550	23,063	19,972	516,488
As at December 31, 2023						
Cost	166,354	1,021,595	7,146	62,750	19,972	1,277,817
Accumulated depreciation	(48,887)	(666,821)	(4,596)	(39,687)	—	(759,991)
Accumulated impairment	—	(1,338)	—	—	—	(1,338)
Net carrying amount	117,467	353,436	2,550	23,063	19,972	516,488
Year ended December 31, 2024						
Opening net carrying amount	117,467	353,436	2,550	23,063	19,972	516,488
Additions	—	—	488	1,872	61,228	63,588
Disposals	(110)	(1,286)	(78)	(8)	(1,771)	(3,253)
Depreciation	(5,195)	(75,002)	(674)	(5,740)	—	(86,611)
Transfers	—	64,631	—	—	(64,631)	—
Closing net carrying amount	112,162	341,779	2,286	19,187	14,798	490,212
As at December 31, 2024						
Cost	166,244	1,081,119	7,421	64,459	14,798	1,334,041
Accumulated depreciation	(54,082)	(738,147)	(5,135)	(45,272)	—	(842,636)
Accumulated impairment	—	(1,193)	—	—	—	(1,193)
Net carrying amount	112,162	341,779	2,286	19,187	14,798	490,212
Year ended December 31, 2025						
Opening net carrying amount	112,162	341,779	2,286	19,187	14,798	490,212
Additions	—	779	646	5,471	37,883	44,779
Disposals	—	(139)	(6)	(1,174)	—	(1,319)
Depreciation	(6,977)	(69,218)	(653)	(5,298)	—	(82,146)
Impairment	—	(184)	—	—	—	(184)
Transfers	1,254	15,403	—	—	(16,657)	—
Closing net carrying amount	106,439	288,420	2,273	18,186	36,024	451,342

	Buildings	Machinery and equipment	Transportation equipment	Electronic equipment and others	Construction in progress	Total
	RMB'000 *Note(a)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2025						
Cost	167,498	1,078,253	7,940	67,139	36,024	1,356,854
Accumulated depreciation	(61,059)	(788,827)	(5,667)	(48,953)	—	(904,506)
Accumulated impairment	—	(1,006)	—	—	—	(1,006)
Net carrying amount	106,439	288,420	2,273	18,186	36,024	451,342

Notes:

(a) The Target Company's buildings located in the PRC with the carrying amounts of the buildings amounting to approximately RMB2,151,000, RMB2,005,000 and RMB1,835,000 as at December 31, 2023, 2024 and 2025, respectively, are in the process of obtaining the ownership certificates. The directors of the Target Company are of the opinion, the Target Company is entitled to lawfully and validly occupy and use the buildings, and therefore the aforesaid matter did not have any significant impact on the Target Company's statements of financial positions as at December 31, 2023, 2024 and 2025. As of the date of this report, all ownership certificates are still being processed.

(b) There is no property, plant and equipment of the Target Company pledged at the end of each year for the Track Record Period.

13. LEASES

The Target Group as a lessee

(a) Right-of-use assets

The movements in the net carrying amount of right-of-use assets are analysed as follows:

	Buildings	Land use rights	Total
	RMB'000 *Note(a)*	*RMB'000* *Note(b)(c)*	*RMB'000*
As at January 1, 2023	10,527	51,173	61,700
Depreciation *(Note (d))*	(4,214)	(1,505)	(5,719)
Lease modification and termination	(1,194)	—	(1,194)
As at December 31, 2023	5,119	49,668	54,787
As at January 1, 2024	5,119	49,668	54,787
Additions	995	—	995
Depreciation *(Note (d))*	(3,557)	(1,505)	(5,062)
Lease modification and termination	(366)	—	(366)
As at December 31, 2024	2,191	48,163	50,354
As at January 1, 2025	2,191	48,163	50,354
Additions	3,026	—	3,026
Depreciation *(Note (d))*	(2,835)	(1,505)	(4,340)
Lease modification and termination	(366)	—	(366)
As at December 31, 2025	2,016	46,658	48,674

Notes:

(a) The Target Group has obtained the right to use buildings in its operations through tenancy agreements. The leases typically run for an initial period of 3 to 5 years.

(b) Land in respect of land use rights are all located in the PRC with a lease period of 50 years. Lump sum payments were made upfront to acquire these property interests from the relevant government authorities.

(c) The Target Group has obtained all land use right certificates in respect of all land parcels held by the Target Group.

(d) Depreciation of the Target Group's right-of-use assets has been recognized as follows:

	Year ended December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Cost of sales	3,092	2,762	2,480
General and administrative expenses	2,627	2,300	1,860
	5,719	5,062	4,340

(b) Lease liabilities

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Total minimum lease payments	5,885	2,127	2,076
Future interest expense on lease liabilities	(278)	(93)	(97)
	5,607	2,034	1,979
Current	4,097	2,034	1,000
Non-current	1,510	—	979
	5,607	2,034	1,979

The maturity analysis of lease liabilities is disclosed in Note 39 to the Historical Financial Information.

(c) The amounts recognised in the consolidated statements of comprehensive income in relation to leases are as follows:

	Year ended December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Interest expenses *(Note 10)*	137	214	148
Depreciation of right-of-use assets	5,719	5,062	4,340
Expense relating to short-term leases and leases of low-value assets	16,164	14,672	19,806
	22,020	19,948	24,294

The Target Company

(a) Right-of-use assets

The movements in the net carrying amount of right-of-use assets are analysed as follows:

	Land use rights
	RMB'000
As at January 1, 2023	49,836
Depreciation	(1,469)
As at December 31, 2023	48,367
As at January 1, 2024	48,367
Depreciation	(1,469)
As at December 31, 2024	46,898
As at January 1, 2025	46,898
Depreciation	(1,469)
As at December 31, 2025	45,429

The Target Group and the Target Company as a lessor

The Target Group and the Target Company lease its buildings under operating lease arrangements. Gross rental income recognised by the Target Group and the Target Company for the years ended December 31, 2023, 2024 and 2025 were RMB12,850,000, RMB13,512,000, and RMB14,827,000, respectively.

As at December 31, 2023, 2024 and 2025, the undiscounted lease payments receivable by the Target Group and the Target Company in future periods under operating leases with its tenants are as follows:

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Total lease payments receivables:			
— Within 1 year	13,421	13,565	13,565
— Over 1 year but within 2 years	4,321	4,465	4,465
— Over 2 years but within 3 years	4,321	4,465	4,267
— Over 3 years	14,718	10,646	6,380
	36,781	33,141	28,677

14. INTANGIBLE ASSETS

The Target Group

	Software
	RMB'000
As at January 1, 2023	
Cost	31,071
Accumulated amortisation	(7,330)
Net carrying amount	23,741
Year ended December 31, 2023	
Opening net carrying amount	23,741
Additions	4,893
Amortisation *(Note (a))*	(3,195)
Closing net carrying amount	25,439
As at December 31, 2023	
Cost	35,964
Accumulated amortisation	(10,525)
Net carrying amount	25,439
Year ended December 31, 2024	
Opening net carrying amount	25,439
Additions	1,903
Amortisation *(Note (a))*	(3,494)
Closing net carrying amount	23,848
As at December 31, 2024	
Cost	37,867
Accumulated amortisation	(14,019)
Net carrying amount	23,848
Year ended December 31, 2025	
Opening net carrying amount	23,848
Additions	3,725
Disposals	(26)
Amortisation *(Note (a))*	(3,554)
Closing net carrying amount	23,993
As at December 31, 2025	
Cost	41,565
Accumulated amortisation	(17,572)
Net carrying amount	23,993

Notes:

(a) Amortisation of the Target Group's intangible assets has been recognized as follows:

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Cost of sales	40	40	102
General and administrative expenses	2,396	2,795	1,189
Research and development expenses	759	659	2,263
	3,195	3,494	3,554

(b) There is no intangible assets of the Target Group pledged at the end of each year for the Track Record Period.

The Target Company

	Software
	RMB'000
As at January 1, 2023	
Cost	20,151
Accumulated amortisation	(6,920)
Net carrying amount	13,231
Year ended December 31, 2023	
Opening net carrying amount	13,231
Additions	1,671
Amortisation	(2,005)
Closing net carrying amount	12,897
As at December 31, 2023	
Cost	21,822
Accumulated amortisation	(8,925)
Net carrying amount	12,897
Year ended December 31, 2024	
Opening net carrying amount	12,897
Additions	885
Amortisation	(2,031)
Closing net carrying amount	11,751
As at December 31, 2024	
Cost	22,707
Accumulated amortisation	(10,956)
Net carrying amount	11,751
Year ended December 31, 2025	
Opening net carrying amount	11,751
Additions	3,659
Disposals	(26)
Amortisation	(3,252)
Intra-group transfers	11,642
Closing net carrying amount	23,774
As at December 31, 2025	
Cost	37,981
Accumulated amortisation	(14,207)
Net carrying amount	23,774

15. INVESTMENT PROPERTIES

The Target Group and the Target Company

	Buildings
	RMB'000
As at January 1, 2023	
Cost	2,611
Accumulated depreciation	(545)
Net carrying amount	2,066
Year ended December 31, 2023	
Opening net carrying amount	2,066
Depreciation	(115)
Closing net carrying amount	1,951
As at December 31, 2023	
Cost	2,611
Accumulated depreciation	(660)
Net carrying amount	1,951
Year ended December 31, 2024	
Opening net carrying amount	1,951
Depreciation	(115)
Closing net carrying amount	1,836
As at December 31, 2024	
Cost	2,611
Accumulated depreciation	(775)
Net carrying amount	1,836
Year ended December 31, 2025	
Opening net carrying amount	1,836
Depreciation	(1,016)
Closing net carrying amount	820
As at December 31, 2025	
Cost	2,611
Accumulated depreciation	(1,791)
Net carrying amount	820

As at December 31, 2023, 2024 and 2025, the fair value of the investment properties was not materially different from the carrying amount.

16. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Target Group

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Unlisted investments	291,329	317,658	378,626
At the beginning of the year	240,831	291,329	317,658
Disposals *(Note)*	—	(31,654)	—
Share of results, net	57,915	57,052	60,520
Change in other equity	949	931	448
Dividends declared	(8,366)	—	—
At the end of the year	291,329	317,658	378,626

Note:

In November 2024, the Target Group disposed all its equity interests in an associate, Xinxiang Yubei Jingdao Automotive Components and Parts Co., Ltd., with a consideration of RMB33,764,000.

Details of each of the Target Group's material joint venture at the end of each year for the Track Record Period are as follows:

		Proportion of ownership interest held by the Target Group			
		As at December 31			
Name of entity	Place of incorporation/ operation	2023	2024	2025	Principal activities
Yubei-CSA (Xinxiang) Auto Tech Co., Ltd. *(Note)*	PRC	95%	95%	95%	Production and sale of intermediate steering shafts

Note:

The Target Group holds two-thirds of the voting rights in the investee's board of directors, which is the highest governing body. Under the investment agreement, board resolutions require unanimous approval, the Target Group lacks the controlling voting rights to direct relevant activities, but retains the power to jointly participate in financial and operating policy decisions. Accordingly, the Target Group has joint control over the investee.

The joint venture is accounted for using equity method in the consolidated financial statements.

Summarised financial information in respect of the Target Group's material joint venture is set out below:

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Yubei-CSA (Xinxiang) Auto Tech Co., Ltd.			
Current assets	285,572	419,966	506,919
Non-current assets	63,453	72,050	99,039
Current liabilities	202,542	274,469	313,775
Non-current liabilities	208	5,490	9,516
Net assets	146,275	212,057	282,667
Reconciliation to carrying amounts:			
Opening net assets	85,406	146,275	212,057
Profit for the year	60,319	64,801	70,139
Appropriation of safety production fund	830	1,372	1,036
Utilisation of safety production fund	(280)	(391)	(565)
Closing net assets	146,275	212,057	282,667
Group's share in %	95	95	95
Group's share in RMB'000	138,961	201,454	268,534
Unrealised profit on related party transactions	(34)	(56)	(61)
Carrying amount	138,927	201,398	268,473
Revenue	479,297	541,852	648,844
Profit for the year	60,319	64,801	70,139
Total comprehensive income for the year	60,319	64,801	70,139

In addition to the interests in joint venture disclosed above, the Target Group also has interests in a number of individually immaterial associates that are accounted for using the equity method.

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Aggregate carrying amount of individually immaterial associates	152,402	116,260	110,153
Aggregate amounts of the Target Group's share of:			
Profit for the year/(loss)	1,051	(3,668)	(6,107)
Total comprehensive income/(loss) for the year	1,051	(3,668)	(6,107)
Special reserve	426	—	—

The Target Company

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Unlisted investments	285,335	312,790	372,877
At the beginning of the year	238,037	285,335	312,790
Disposals	—	(31,654)	—
Share of results, net	54,715	58,178	59,639
Change in other equity	949	931	448
Dividends declared	(8,366)	—	—
	285,335	312,790	372,877

17. DIVIDENDS

	Year ended December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Final dividends	39,868	9,967	39,868

The final dividends of RMB0.2 per share (tax inclusive) totaling approximately RMB39,868,000 in respect of the year ended December 31, 2022 were approved in 2022 Annual General Meeting of the Target Company on May 15, 2023. The final dividends were paid on October 13, 2023.

The final dividends of RMB0.05 per share (tax inclusive) totaling approximately RMB9,967,000 in respect of the year ended December 31, 2023 were approved in 2023 Annual General Meeting of the Target Company on June 5, 2024. The final dividends were paid on July 5, 2024 and July 8, 2024.

The final dividends of RMB0.2 per share (tax inclusive) totaling approximately RMB39,868,000 in respect of the year ended December 31, 2024 were approved in 2024 Annual General Meeting of the Target Company on June 5, 2025. The final dividends were paid on June 25, 2025 and June 26, 2025.

18. FINANCIAL ASSETS AT FVTOCI

The Target Group

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Current:			
— Notes receivables measured at FVTOCI *(Note)*	390,518	397,436	760,007

Note:

The balance represents notes receivables held by the Target Group which are issued or guaranteed by reputable PRC banks with high credit ratings. The notes receivables had a maturity of within six months at the end of each year for the Track Record Period. The notes receivables are measured at FVTOCI since the notes 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. The Target Group believes that the notes receivables do not expose to significant credit risk and will not cause significant losses due to the bank default. The changes in the fair value of the notes receivables are minimal due to its short-term nature.

In addition, the Target Group has discounted certain notes receivables to banks and endorsed certain notes receivables to its suppliers to settle its payables. The directors of the Target Company consider the probabilities on default of the discounted or endorsed notes receivables are limited and the Target Group has derecognised the full carrying amount of these notes receivables and the associated trade and other payables when the notes receivables are endorsed or discounted. The maximum exposure to the Target Group that may result from the default of these endorsed and discounted notes receivables as at December 31, 2023, 2024 and 2025 are approximately RMB655,005,000, RMB543,045,000 and RMB243,920,000, respectively.

As at December 31, 2023, 2024 and 2025, certain notes receivables of the Target Group amounting to RMB216,443,000, RMB86,043,000 and RMB41,965,000, respectively, were pledged for notes payables of the Target Group.

The Target Company

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current:			
— Notes receivables measured at FVTOCI *(Note)*	387,484	393,177	760,007

Note:

The maximum exposure to the Target Company that may result from the default of the endorsed and discounted notes receivables as at December 31, 2023, 2024 and 2025 are approximately RMB636,648,000, RMB512,886,000 and RMB218,577,000, respectively.

19. INVENTORIES

The Target Group

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	85,919	89,722	107,525
Consigned processing materials	6,299	3,985	3,347
Finished goods	129,190	157,664	179,626
Consumables	4,301	2,138	3,197
	225,709	253,509	293,695
Less: provision for impairment *(Note)*	(25,227)	(33,317)	(36,051)
	200,482	220,192	257,644

The Target Company

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	71,307	69,976	98,258
Consigned processing materials	6,299	3,985	3,347
Finished goods	127,517	151,630	183,661
Consumables	4,301	1,711	3,119
	209,424	227,302	288,385
Less: provision for impairment *(Note)*	(20,598)	(27,446)	(31,784)
	188,826	199,856	256,601

Note:

Inventories are stated at the lower of cost and net realisable value at the end of each reporting period. The net realisable value is the estimated selling price in the current course of business, less applicable costs, selling expenses and tax charges. Management of the Target Group and the Target Company make the best estimate on the net realisable value and the corresponding impairment of inventory, while the impairment assessment may still be significantly changed due to the change of market conditions.

20. TRADE AND NOTES RECEIVABLES

The Target Group

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	1,003,867	1,148,990	1,134,160
Notes receivables	5,846	5,069	27,617
	1,009,713	1,154,059	1,161,777
Less: allowance for impairment	(126,725)	(144,869)	(144,765)
	882,988	1,009,190	1,017,012

The credit period granted to customers is generally within 30-120 days during the Track Record Period.

The Target Company

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables			
— Due from subsidiaries	2,716	10,629	12,188
— Due from other parties	969,221	1,100,671	1,105,471
Notes receivables	5,846	5,069	26,808
	977,783	1,116,369	1,144,467
Less: allowance for impairment	(125,083)	(142,893)	(143,824)
	852,700	973,476	1,000,643

The credit period is generally within 30-120 days during the Track Record Period.

The ageing analysis of trade receivables based on recognition date is as follows:

The Target Group

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	921,374	1,068,340	1,042,329
Over 1 year but within 2 years	2,353	826	12,533
Over 2 years but within 3 years	23	61	18
Over 3 years	80,117	79,763	79,280
	1,003,867	1,148,990	1,134,160

The Target Company

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	889,705	1,031,323	1,026,382
Over 1 year but within 2 years	2,129	250	12,146
Over 2 years but within 3 years	23	—	—
Over 3 years	80,080	79,727	79,131
	971,937	1,111,300	1,117,659

Movements in impairment of trade and notes receivables are as follows:

The Target Group

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	117,207	126,725	144,869
Loss of impairment recognised/(reversed), net	9,349	18,144	(109)
Others	169	—	5
At the end of the year	126,725	144,869	144,765

Note:

Detail information about the impairment of trade and notes receivables and the Target Group's exposure to credit risk is described in Note 39.

The Target Company

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	115,955	125,083	142,893
Impairment recognised, net	9,143	17,810	926
Others	(15)	—	5
At the end of the year	125,083	142,893	143,824

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Target Group

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Non-current			
Prepayments for acquisition of long-term assets	42,783	6,942	39,473
Current			
Other receivables	10,541	18,601	3,974
Less: allowance for impairment	(1,396)	(1,722)	(1,868)
	9,145	16,879	2,106
VAT recoverable *(Note (a))*	4,016	9,193	19,889
Prepayments for materials and others	2,746	2,934	4,093
	15,907	29,006	26,088

Notes:

(a) Input VAT on purchases can be deducted from output VAT payable. The VAT recoverable is the net difference between output and deductible input VAT. The applicable VAT tax rates of the Target Group are 13%, 9% and 6%.

(b) The information about the credit risk exposure on the Target Group's other receivables is disclosed in Note 39.

The Target Company

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Non-current			
Prepayment for acquisition of long-term assets	22,729	5,556	39,371
Current			
Other receivables			
— Due from subsidiaries	429	849	—
— Due from other parties	10,069	18,291	3,724
Less: allowance for impairment	(1,359)	(1,740)	(1,778)
	9,139	17,400	1,946
VAT recoverable *(Note)*	—	—	12,241
Prepayments for materials and others	2,271	2,425	2,483
	11,410	19,825	16,670

Note:

Input VAT on purchases can be deducted from output VAT payable. The VAT recoverable is the net difference between output and deductible input VAT. The applicable VAT tax rates of the Target Company are 13%, 9% and 6%.

The balances of other receivables are classified as Stage 1 without any significant increase in credit risk tracked since initial recognition. The movements on the ECL allowance of other receivables are as follows:

The Target Group

	Year ended December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	1,779	1,396	1,722
(Reversal)/provision	(383)	326	146
At the end of the year	1,396	1,722	1,868

The Target Company

	Year ended December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	344	1,359	1,740
Provision	1,015	381	38
At the end of the year	1,359	1,740	1,778

22. RESTRICTED BANK DEPOSITS

The Target Group

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Pledged cash balances for bank acceptance notes	287,871	395,461	430,314
Pledged cash balances for letter of credit	711	—	—
	288,582	395,461	430,314

The Target Company

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Pledged cash balances for bank acceptance notes	276,041	379,975	430,314
Pledged cash balances for letter of credit	711	—	—
	276,752	379,975	430,314

The restricted bank deposits of the Target Group and the Target Company are mainly RMB deposits.

23. CASH AT BANK AND ON HAND

The Target Group

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents	90,380	215,066	248,614

Denominated in:

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
RMB	89,367	214,421	247,912
USD	800	615	502
JPY	213	30	200
	90,380	215,066	248,614

RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Target Group 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.

The Target Company

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents	73,384	197,371	211,426

The cash at bank and on hand of the Target Company are mainly RMB deposits.

24. DEFERRED INCOME TAX

Deferred tax assets are recognised based on estimates that it is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses and temporary differences will be utilised. The recognition of deferred tax assets mainly involves management's judgements and estimations about the timing and the amount of taxable profits of the companies who have tax losses and temporary differences. Deferred tax assets and liabilities are offset when there is a legally enforceable right of offsetting and when the deferred income taxes relate to the same authority.

The Target Group

The analysis of deferred tax assets and deferred tax liabilities are as follows:

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax assets	54,977	63,509	71,465
Offset by deferred tax liabilities	(1,280)	(548)	(495)
Net deferred tax assets	53,697	62,961	70,970
Deferred tax liabilities	1,280	548	504
Offset by deferred tax assets	(1,280)	(548)	(495)
Net deferred tax liabilities	—	—	9

(a) Deferred tax assets

The movements in deferred tax assets during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	ECL allowance and impairment provision	Tax losses	Accruals and provisions	Unrealised profit on intra-group transactions	Deferred income	Lease liability	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2023	21,908	7,503	16,594	—	2,994	2,698	51,697
Credited /(charged) to profit or loss	1,042	3,824	129	279	(698)	(1,296)	3,280
As at December 31, 2023 and January 1, 2024	22,950	11,327	16,723	279	2,296	1,402	54,977
Credited /(charged) to profit or loss	4,020	3,459	2,473	56	(583)	(893)	8,532
As at December 31, 2024 and January 1, 2025	26,970	14,786	19,196	335	1,713	509	63,509
Credited /(charged) to profit or loss	55	3,193	4,432	285	5	(14)	7,956
As at December 31, 2025	27,025	17,979	23,628	620	1,718	495	71,465

(b) Deferred tax liabilities

The movements in deferred tax liabilities during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Right-of-use assets
	RMB'000
As at January 1, 2023	2,632
Credited to profit or loss	(1,352)
As at December 31, 2023 and January 1, 2024	1,280
Credited to profit or loss	(732)
As at December 31, 2024 and January 1, 2025	548
Credited to profit or loss	(44)
As at December 31, 2025	504

(c) Tax losses and deductible temporary differences with deferred tax assets not recognized

The following table sets forth the tax losses and deductible temporary differences which were not recognised as deferred tax assets at the end of each year for the Track Record Period:

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Deductible temporary differences	5,168	6,474	6,691
Tax losses	38,812	43,999	39,309
	43,980	50,473	46,000

The Target Group has unused tax losses of approximately RMB107,800,000, RMB123,149,000 and RMB131,232,000 as at December 31, 2023, 2024, 2025, respectively, available for offset against future profits. Included in recognized tax losses are losses of approximately RMB68,988,000, RMB79,150,000, RMB91,923,000, respectively. Included in unrecognized tax losses are losses of approximately RMB38,812,000, RMB43,999,000, RMB39,309,000, respectively.

Deductible tax losses that are not recognised for deferred tax assets will expire as follows:

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
2024	3,596	—	—
2025	6,824	6,824	—
2026	14,056	14,056	14,056
2027	1,148	1,148	1,148
2028	13,188	11,354	9,041
2029	—	10,617	7,934
2030	—	—	7,130
	38,812	43,999	39,309

The Target Company

The analysis of deferred tax assets are as follows:

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax assets	50,156	54,404	59,608
Offset by deferred tax liabilities	—	—	—
Net deferred tax assets	50,156	54,404	59,608

(a) Deferred tax assets

The movements in deferred tax assets during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	ECL allowance and impairment provision	Tax losses	Accruals and provisions	Deferred income	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2023	21,509	7,503	16,208	2,994	48,214
Credited /(charged) to profit or loss	747	1,378	515	(698)	1,942
As at December 31, 2023 and January 1, 2024	22,256	8,881	16,723	2,296	50,156
Credited /(charged) to profit or loss	3,736	(1,378)	2,473	(583)	4,248
As at December 31, 2024 and January 1, 2025	25,992	7,503	19,196	1,713	54,404
Credited to profit or loss	767	—	4,432	5	5,204
As at December 31, 2025	26,759	7,503	23,628	1,718	59,608

25. TRADE, NOTES AND OTHER PAYABLES

The Target Group

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	1,030,255	1,138,084	1,187,251
Notes payables	775,706	793,107	835,646
	1,805,961	1,931,191	2,022,897
Payroll and welfare payables	66,383	67,846	72,894
Other tax liabilities	32,139	15,807	5,316
Payables for acquisition of non-current assets	17,061	48,267	35,939
Accrued expenses	16,090	16,524	15,310
Deposits received	3,054	10,703	9,855
Others	21,164	15,811	19,112
	1,961,852	2,106,149	2,181,323

The credit period granted by suppliers is generally within 30-90 days. The ageing analysis of the trade payables of the Target Group as at December 31, 2023, 2024 and 2025 based on recognition date is as follows:

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
— Within 1 year	994,545	1,089,798	1,169,731
— Over 1 year but within 2 years	22,910	17,020	14,217
— Over 2 years but within 3 years	445	18,665	894
— Over 3 years	12,355	12,601	2,409
	1,030,255	1,138,084	1,187,251

The Target Company

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade payables			
— Due to subsidiaries	3,083	5,716	15,680
— Due to other parties	1,002,403	1,106,978	1,152,157
Notes payables	763,898	776,012	835,646
	1,769,384	1,888,706	2,003,483
Payroll and welfare payables	62,718	62,700	70,234
Other tax liabilities	30,989	14,193	3,193
Payables for acquisition of non-current assets	14,241	33,242	34,458
Accrued expenses	15,278	15,188	14,681
Deposits received	3,024	10,131	9,424
Amounts due to subsidiaries	5,173	—	907
Others	21,083	15,744	18,198
	1,921,890	2,039,904	2,154,578

The ageing analysis of the trade payables of the Target Company as at December 31, 2023, 2024 and 2025 based on recognised date is as follows:

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
— Within 1 year	969,859	1,064,653	1,161,758
— Over 1 year but within 2 years	22,878	16,831	2,892
— Over 2 years but within 3 years	438	18,645	837
— Over 3 years	12,311	12,565	2,350
	1,005,486	1,112,694	1,167,837

26. CONTRACT LIABILITIES

The Target Group

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Advance payments from customers	22,925	21,825	25,667

The Target Company

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Advance payments from customers	21,670	20,437	20,994

Revenue are recognised when control of the goods is transferred to the customers, and there is no unfulfilled obligation that could affect the customer's receipt of the goods. Contract liabilities of the Target Group and the Target Company mainly consist of advance payments made by customers for goods which will be normally settled when the revenue are recognised.

During the Track Record Period, the increase/decrease in contract liabilities was resulted from more/less advance payments from customers than the amount utilised to be recognised as revenue.

27. BORROWINGS

The Target Group

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Non-current			
Long-term bank borrowings — unsecured and unguaranteed	90,000	174,000	138,600
Total non-current	90,000	174,000	138,600
Current			
Short-term bank borrowings — unsecured and unguaranteed	—	—	249,671
Short-term other borrowings — unsecured and unguaranteed *(Note)*	—	40,000	40,000
Current portion of long-term bank borrowings — unsecured and unguaranteed	83	4,654	103,058
Total current	83	44,654	392,729

As at December 31, 2023, 2024 and 2025, the borrowings bear effective interest rates with range of 2.90%-3.05%，2.30%-3.00% and 2.24%-2.90% per annum, respectively.

Note:

As at December 31, 2023, 2024 and 2025, the outstanding balances of other borrowings of the Target Group represents entrusted loans provided by Yubei JTEKT Steering System (Xinxiang) Co., Ltd., an associate of the Target Company.

The Target Company

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Non-current			
Long-term bank borrowings — unsecured and unguaranteed	90,000	174,000	138,600
Total non-current	90,000	174,000	138,600
Current			
Short-term bank borrowings — unsecured and unguaranteed	—	—	249,671
Short-term other borrowings — unsecured and unguaranteed *(Note)*	35,000	65,000	75,000
Current portion of long-term bank borrowings — unsecured and unguaranteed	83	4,654	103,058
Total current	35,083	69,654	427,729

Note:

As at December 31 2023, 2024 and 2025, the Target Company's other borrowings comprised entrusted loans from the following parties:

(i) Yubei JTEKT Steering System (Xinxiang) Co., Ltd., an associate of the Target Company: nil, RMB40,000,000 and RMB40,000,000 respectively;

(ii) Hefei Yubei Automobile Power Redirector Co., Ltd., a subsidiary of the Target Company: RMB15,000,000, nil and nil respectively; and

(iii) Yubei Steering System (Hubei) Co., Ltd., a subsidiary of the Target Company: RMB20,000,000, RMB25,000,000 and RMB35,000,000 respectively.

During the Track Record Period, the Target Group and the Target Company did not violate any financial covenants under the agreements of borrowings. The Target Group's and the Target Company's borrowings were repayable as follows:

The Target Group

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Analysed as:			
Bank borrowings repayable:			
— Within 1 year or on demand	83	4,654	352,729
— Over 1 year but within 2 years	—	103,500	91,900
— Over 2 years but within 5 years	90,000	70,500	46,700
	90,083	178,654	491,329
Other borrowings repayable:			
— Within 1 year or on demand	—	40,000	40,000
	—	40,000	40,000
	90,083	218,654	531,329

The Target Company

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Analysed as:			
Bank borrowings repayable:			
— Within 1 year or on demand	83	4,654	352,729
— Over 1 year but within 2 years	—	103,500	91,900
— Over 2 years but within 5 years	90,000	70,500	46,700
	90,083	178,654	491,329
Other borrowings repayable:			
— Within 1 year or on demand	35,000	65,000	75,000
	35,000	65,000	75,000
	125,083	243,654	566,329

The Target Group's and the Target Company's borrowings are all denominated in RMB.

Details of the Target Group's borrowings with floating rate are disclosed in Note 39 to the Historical Financial Information.

28. DEFERRED INCOME

The Target Group and the Target Company

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Government grants *(Note)*	15,304	11,423	11,451

Note:

The Target Group and the Target Company received government grants mainly for industrial construction. The government grants were recorded as deferred income and normally credited to profit or loss on a straight-line basis over the expected remaining lives of the related assets.

29. PROVISION

The Target Group

	Warranty provisions
	RMB'000
As at January 1, 2023	93,429
Additional provisions made	44,229
Provisions utilised	(48,987)
As at December 31, 2023	88,671
As at January 1, 2024	88,671
Additional provisions made	52,199
Provisions utilised	(49,813)
As at December 31, 2024	91,057
As at January 1, 2025	91,057
Additional provisions made	114,112
Provisions utilised	(86,100)
As at December 31, 2025	119,069

Note:

Warranty provisions are the provision for Original Equipment Manufacturers (OEMs). Under the terms of the Target Group's sales agreements, the Target Group is responsible for product defects. At the time of sales to OEMs, the Group accrues warranty provisions for the automotive safety system components sold, which includes the Group's best estimate of the future costs to be incurred in order to repair or replace items under warranties and recalls when identified.

The Target Company

	Warranty provisions
	RMB'000
As at January 1, 2023	80,511
Additional provisions made	43,572
Provisions utilised	(36,982)
As at December 31, 2023	87,101
As at January 1, 2024	87,101
Additional provisions made	49,064
Provisions utilised	(47,440)
As at December 31, 2024	88,725
As at January 1, 2025	88,725
Additional provisions made	112,364
Provisions utilised	(84,275)
As at December 31, 2025	116,814

30. SHARE CAPITAL

The Target Group and the Target Company

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Share capital	199,342	199,342	199,342

The changes in the Target Company's authorized, issued and fully paid share capital are as follows:

	Number of shares	Share capital
	'000	*RMB'000*
Ordinary shares of RMB1 each		
As at January 1, 2023, December 31, 2023, January 1, 2024, December 31, 2024, January 1, 2025 and December 31, 2025	199,342	199,342

31. SHARE-BASED EMPLOYEE COMPENSATIONS

Share-based payment expenses during the Track Record Period were as follows:

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Equity-settled share-based compensation	699	2,236	1,555

(a) Employee Share Ownership Plan

On April 28, 2016, core employees of the Target Group established Ningbo Fengyuan Equity Investment Partnership (L.P.) (寧波奉元股權投資合夥企業(有限合夥)) ("**Ningbo Fengyuan**") as an employee shareholding platform. In May 2016 and April 2017, all shareholders unanimously approved the transfer of 11.18% and 5.41% equity interests held by other shareholders to Ningbo Fengyuan. In 2024, 3 employees were granted 300,000 shares with an exercise price of RMB4.25 per share as rewards for their services, full time devotion and professional expertise to the Target Group. These awards did not include service conditions, performance conditions or lock-up restrictions.

On December 28, 2020, core employees of the Target Group established Xinxiang Juxian Enterprise Management Consulting Partnership Enterprise (Limited Partnership) (新鄉市聚賢企業管理諮詢合夥企業((有限合夥)) ("**Xinxiang Juxian**") as an employee shareholding platform. In January 2021 and September 2022, all shareholders unanimously approved the transfer of 7.00% and 0.94% equity interests held by other shareholders to Xinxiang Juxian. In 2023 and 2024, 3 and 2 employees were granted 200,000 shares and 100,000 shares with an exercise price of RMB4.25 per share. In 2025, 2 employees were granted 100,000 shares with an exercise price of RMB4.35 per share as rewards for their services, full time devotion and professional expertise to the Target Group. These awards only include lock-up restrictions, without service conditions or performance conditions. According to the partnership agreements, prior to the initial public offering and listing of the Target Group, some limited partners of Xinxiang Juxian may not transfer or otherwise dispose of their limited partnership interests or indirectly transfer equity interests in the Target Group held through the partnerships.

If employees cease employment with the Target Group during the period, the award shares above will be reallocated at the discretion of the Target Group's management and granted to other remaining employees.

Set out below are details of the movements of the outstanding number of employee share ownership plan throughout the Track Record Period:

	Year ended December 31		
	2023	2024	2025
	'000	*'000*	*'000*
As at beginning of the year	510	710	810
Granted	200	400	100
Vested	—	(300)	—
As at end of the year	710	810	910

The fair value of the shares granted in 2023 were estimated as at the grant date by using recent transaction price, the fair value of the shares granted in 2024 and 2025 were estimated at the grant date by using income approach.

32. OTHER RESERVES AND RETAINED EARNINGS

The Target Group

During the Track Record Period, the amounts of the Target Group's other reserves and retained earnings and the changes therein are presented in the consolidated statements of changes in equity.

The Target Company

	Other Reserves				
	Capital reserve	Special reserve	Statutory reserve	Retained earnings	Total reserves
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2023	229,915	29,135	9,870	194,932	463,852
Profit for the year	—	—	—	111,685	111,685
Total comprehensive income for the year	—	—	—	111,685	111,685
Appropriation of statutory reserve	—	—	11,168	(11,168)	—
Share-based payment expenses	699	—	—	—	699
Utilisation of safety production fund	—	(3,665)	—	—	(3,665)
Dividends declared	—	—	—	(39,868)	(39,868)
Share of special reserve of associates and joint ventures	949	—	—	—	949
As at December 31, 2023	231,563	25,470	21,038	255,581	533,652
As at January 1, 2024	231,563	25,470	21,038	255,581	533,652
Profit for the year	—	—	—	161,457	161,457
Total comprehensive income for the year	—	—	—	161,457	161,457
Appropriation of statutory reserve	—	—	16,146	(16,146)	—
Share-based payment expenses	2,236	—	—	—	2,236
Utilisation of safety production fund	—	(5,861)	—	—	(5,861)
Dividends declared	—	—	—	(9,967)	(9,967)
Disposal of associate	(2,868)	—	—	—	(2,868)
Share of special reserve of associates and joint ventures	931	—	—	—	931
As at December 31, 2024	231,862	19,609	37,184	390,925	679,580

	Other Reserves				
	Capital reserve	Special reserve	Statutory reserve	Retained earnings	Total reserves
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2025	231,862	19,609	37,184	390,925	679,580
Profit for the year	—	—	—	172,093	172,093
Total comprehensive income for the year	—	—	—	172,093	172,093
Appropriation of statutory reserve	—	—	17,209	(17,209)	—
Share-based payment expenses	1,555	—	—	—	1,555
Appropriation of safety production fund	—	1,705	—	—	1,705
Utilisation of safety production fund	—	(5,716)	—	—	(5,716)
Dividends declared	—	—	—	(39,868)	(39,868)
Share of special reserve of associates and joint ventures	448	—	—	—	448
As at December 31, 2025	233,865	15,598	54,393	505,941	809,797

33. PLEDGED ASSETS

The Target Group

At the end of each year for the Track Record Period, the Target Group's certain assets have been pledged to secure notes payables and other purpose. The carrying amounts of the pledged assets of the Target Group at the end of each year for the Track Record Period are as follows:

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Restricted bank deposits *(Note 22)*	288,582	395,461	430,314
Financial assets at FVTOCI *(Note 18)*	216,443	86,043	41,965
	505,025	481,504	472,279

34. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities during the Track Record Period are as follows:

	Borrowings	Lease liabilities	Dividends Payable
	RMB'000	*RMB'000*	*RMB'000*
As at January 1, 2023	100,051	10,792	—
Cash flows	23,752	(4,064)	(39,868)
Interest expense	6,293	137	—
New leases or termination	—	(1,258)	—
Dividends declared to the shareholders of the Target Company	—	—	39,868
Other non-cash movements *(Note)*	(40,000)	—	—
Others	(13)	—	—
As at December 31, 2023 and January 1, 2024	90,083	5,607	—
Cash flows	122,108	(4,421)	(9,967)
Interest expense	6,529	214	—
New leases or termination	—	634	—
Dividends declared to the shareholders of the Target Company	—	—	9,967
Others	(66)	—	—
As at December 31, 2024 and January 1, 2025	218,654	2,034	—
Cash flows	304,896	(2,822)	(39,868)
Interest expense	7,821	148	—
New leases or termination	—	2,619	—
Dividends declared to the shareholders of the Target Company	—	—	39,868
Others	(42)	—	—
As at December 31, 2025	531,329	1,979	—

Note:

The other non-cash movements mainly included maturity of letters of credit that did not qualify for derecognition.

35. COMMITMENTS

At the end of each year for the Track Record Period, the Target Group's capital commitments contracted but not provided for in the Historical Financial Information were as follows:

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for, net of deposits paid and prepayments			
— Property, plant and equipment	649	4,407	2,620

36. RELATED PARTY TRANSACTIONS

The Target Group entered into the following related party transactions during the Track Record Period:

(a) Relationships with related parties

Name of related party	**Relationship with the Target Group**
Joyhigh Industrial Limited	Immediate parent entity
Just Fit Holdings Limited	Ultimate parent entity
Yubei-CSA (Xinxiang) Auto Tech Co., Ltd.	Joint venture of the Target Company
Yubei JTEKT Steering System (Xinxiang) Co., Ltd.	Associate of the Target Company
Xinxiang Yubei Jingdao Automotive Components and Parts Co., Ltd.	Associate of the Target Company (Before November 2024 *(Note (i))*
Xinxiang Xinhang Electromechanical Technology Co., Ltd.	Subsidiary of Aviation Industry Corporation of China, Ltd. ("**AVIC**") *(Note(ii))*
Jincheng Group Import and Export Co., Ltd.	Subsidiary of AVIC
Nexteer Automotive (Suzhou) Co., Ltd.	Subsidiary of AVIC
Shenzhen Aviation Standard Parts Co., Ltd.	Subsidiary of AVIC
Nanjing Jincheng Precision Machinery Co., Ltd.	Subsidiary of AVIC
Xinxiang Aviation Industry (Group) Co., Ltd.	Subsidiary of AVIC
Nexteer Automotive Systems (Liuzhou) Co., Ltd.	Subsidiary of AVIC

Name of related party	Relationship with the Target Group
AVIC Nanjing Servo Control System Co., Ltd.	Subsidiary of AVIC
China Aviation News Co., Ltd.	Subsidiary of AVIC
AVIC Electronic Measuring Instruments (Xi'an) Co., Ltd.	Subsidiary of AVIC
Wuhan Jundeke Industry and Trade Co., Ltd.	Subsidiary of Hubei Dongjun Industrial and Commercial Co., Ltd. ("**DJIC**") *(Note(iii))*
Xianning Dongjun Tianhe Automobile Sales and Service Co., Ltd.	Subsidiary of DJIC
Hubei Jingjun Auto Parts Co., Ltd.	Associate of DJIC
Nissei Instruments Wuhan Co., Ltd.	Associate of DJIC
Hubei Beichen Intelligent Technology Co., Ltd.	Controlled by Mr. Zhang Chongjun

Notes:

(i) In November 2024, the Target Company disposed all interests in Xinxiang Yubei Jingdao Automotive Components and Parts Co., Ltd. After November 2024, Xinxiang Yubei Jingdao Automotive Components and Parts Co., Ltd. was not a related party of the Target Company.

(ii) Xinxiang Xinhang Electromechanical Technology Co., Ltd. holds 22.73% equity interest of the Target Company during the Track Record Period. AVIC is the parent company of Xinxiang Xinhang Electromechanical Technology Co., Ltd.

(iii) DJIC holds 13.63% equity interest of the Target Company.

(b) Transactions with related parties

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Sales transactions:			
Yubei-CSA (Xinxiang) Auto Tech Co., Ltd.	5,688	9,485	13,087
Jincheng Group Import and Export Co., Ltd.	10,038	5,504	7,457
Nexteer Automotive (Suzhou) Co., Ltd.	38,691	30,336	5,854
Yubei JTEKT Steering System (Xinxiang) Co., Ltd.	1,023	390	1,718
Nissei Instruments Wuhan Co., Ltd.	1,526	—	438
Xinxiang Aviation Industry (Group) Co., Ltd.	373	233	—
Nexteer Automotive Systems (Liuzhou) Co., Ltd.	—	19	—
Xinxiang Yubei Jingdao Automotive Components and Parts Co., Ltd.	2,250	1,163	N/A
	59,589	47,130	28,554
Procurement transactions:			
Yubei-CSA (Xinxiang) Auto Tech Co., Ltd.	239,491	250,134	265,634
Yubei JTEKT Steering System (Xinxiang) Co., Ltd.	10,438	23,086	64,654
Nissei Instruments Wuhan Co., Ltd.	1,144	22,151	29,583
Hubei Jingjun Auto Parts Co., Ltd.	5,945	10,352	3,470
Shenzhen Aviation Standard Parts Co., Ltd.	1,849	2,360	3,237
Nanjing Jincheng Precision Machinery Co., Ltd.	2,038	866	424
Wuhan Jundeke Industry and Trade Co., Ltd.	—	1	81
Xinxiang Yubei Jingdao Automotive Components and Parts Co., Ltd.	78,476	83,623	N/A
AVIC Electronic Measuring Instruments (Xi'an) Co., Ltd.	—	2	—
Xianning Dongjun Tianhe Automobile Sales and Service Co., Ltd.	2	1	—
Xinxiang Aviation Industry (Group) Co., Ltd.	9	—	—
AVIC Nanjing Servo Control System Co., Ltd.	3	—	—
China Aviation News Co., Ltd.	4	—	—
	339,399	392,576	367,083
Gross lease income:			
Yubei-CSA (Xinxiang) Auto Tech Co., Ltd.	8,466	9,100	9,100
Xinxiang Aviation Industry (Group) Co., Ltd.	4,218	4,290	4,365
	12,684	13,390	13,465

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Lease expenses:			
Hubei Beichen Intelligent Technology Co., Ltd.	2,668	2,321	2,254
Xinxiang Xinhang Electromechanical Technology Co., Ltd.	446	388	385
	3,114	2,709	2,639

(c) Balances with related parties

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables:			
Nexteer Automotive (Suzhou) Co., Ltd.	21,111	21,928	4,592
Jincheng Group Import and Export Co., Ltd.	1,645	—	2,346
Yubei JTEKT Steering System (Xinxiang) Co., Ltd.	—	221	650
Yubei-CSA (Xinxiang) Auto Tech Co., Ltd.	—	734	285
Nexteer Automotive Systems (Liuzhou) Co., Ltd.	—	20	19
Xinxiang Aviation Industry (Group) Co., Ltd.	578	2,360	—
	23,334	25,263	7,892

Note:

The balances were trade in nature.

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at fair value through other comprehensive income:			
Xinxiang Aviation Industry (Group) Co., Ltd.	318	—	—

Note:

The balances were trade in nature.

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Other receivables:			
Xinxiang Aviation Industry (Group) Co., Ltd.	—	116	—
Yubei-CSA (Xinxiang) Auto Tech Co., Ltd.	504	—	—
	504	116	—

Note:

The balances were trade in nature.

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade and other payables:			
Yubei-CSA (Xinxiang) Auto Tech Co., Ltd.	105,947	165,477	127,085
Yubei JTEKT Steering System (Xinxiang) Co., Ltd.	3,506	16,285	26,097
Nissei Instruments Wuhan Co., Ltd.	—	6,375	13,926
Shenzhen Aviation Standard Parts Co., Ltd.	996	1,248	1,862
Xinxiang Aviation Industry (Group) Co., Ltd.	539	539	659
Nanjing Jincheng Precision Machinery Co., Ltd.	1,135	391	205
Hubei Jingjun Auto Parts Co., Ltd.	2,010	3,678	156
Wuhan Jundeke Industry and Trade Co., Ltd.	1	2	22
Hubei Beichen Intelligent Technology Co., Ltd.	1,093	218	6
Xinxiang Yubei Jingdao Automotive Components and Parts Co., Ltd.	60,631	—	N/A
	175,858	194,213	170,018

Note:

The balances were trade in nature.

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Borrowing:			
Yubei JTEKT Steering System (Xinxiang) Co., Ltd.	—	40,000	40,000

(d) Compensation of key management personnel of the Target Group:

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Fees	234	234	234
Salaries, allowances, bonuses and benefits in kind	9,922	11,612	13,530
Retirement scheme contributions	647	696	860
Total compensation paid to key management personnel	10,803	12,542	14,624

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each financial instrument as at the end of each year for the reporting period are as follows:

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets at amortised cost			
— Trade and notes receivables	882,988	1,009,190	1,017,012
— Other receivables	9,145	16,879	2,106
— Restricted bank deposits	288,582	395,461	430,314
— Cash at bank and on hand	90,380	215,066	248,614
Financial assets at FVTOCI			
— Notes receivables measured at FVTOCI	390,518	397,436	760,007
	1,661,613	2,034,032	2,458,053
Financial liabilities			
Financial liabilities measured at amortised cost			
— Financial liabilities included in trade, notes and other payables	1,863,330	2,022,496	2,103,113
— Borrowings	90,083	218,654	531,329
— Lease liabilities	5,607	2,034	1,979
	1,959,020	2,243,184	2,636,421

38. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Financial assets and liabilities measured at fair value in the consolidated statements of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability and significance of inputs to the measurements, as follows:

Level 1 : quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs.

Level 3 : significant unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The table below analyses the Target Group's financial instruments carried at fair value as at December 31, 2023, 2024 and 2025 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, significant unobservable inputs) (Level 3).

(a) Fair value hierarchy

As at December 31, 2023, 2024 and 2025, the financial assets measured at fair value on a recurring basis by the above three levels were analysed below:

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2023				
Financial assets at FVTOCI				
— Notes receivables measured at FVTOCI	—	—	390,518	390,518
As at December 31, 2024				
Financial assets at FVTOCI				
— Notes receivables measured at FVTOCI	—	—	397,436	397,436
As at December 31, 2025				
Financial assets at FVTOCI				
— Notes receivables measured at FVTOCI	—	—	760,007	760,007

(b) Valuation techniques used to determine fair values

The fair value of financial instruments traded in an active market is determined at the quoted market price, and the fair value of those not traded in an active market is determined by the Target Group using valuation technique. The valuation models used discounted cash flow approach. The inputs of the valuation technique are discount rate.

Assets subject to Level 3 fair value measurement were notes receivables measured at FVTOCI. These assets were measured using discounted cash flow approach. The judgement of Level 3 of the fair value hierarchy is based on the materiality of unobservable inputs towards calculation of whole fair value.

During the Track Record Period, there was no transfer into or out of Level 3. The quantitative information of fair value measurements as at December 31, 2023, 2024 and 2025 for Level 3 is as follows:

	Fair value hierarchy	As at December 31			Valuation technique and key input(s)	Impact of significant unobservable input	Range of inputs	Sensitivity of fair value to the input
		2023	2024	2025				
		RMB'000	*RMB'000*	*RMB'000*				
Financial assets at FVTOCI								
— Notes receivables measured at FVTOCI.	Level 3	390,518	397,436	760,007	Discount rate	The higher the discounted rate, the lower the fair value	0.1%–2.55%	A 10% increase or decrease in the discount rate as at December 31, 2023, 2024 and 2025 would lead to a corresponding decrease or increase in the fair value of the relevant assets by RMB 121,000, RMB 84,000 and RMB 63,000, respectively.

(c) Fair value measurements using significant unobservable inputs (Level 3)

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Notes receivables measured at FVTOCI			
Opening balance	307,196	390,518	397,436
Additions	1,994,991	1,971,006	1,945,573
Disposals/settlements	(1,911,669)	(1,964,088)	(1,583,002)
Closing balance	390,518	397,436	760,007

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial instruments of the Target Group mainly comprise cash at bank and on hand, restricted bank deposits, financial assets at fair value through other comprehensive income and borrowings, the main purpose of which is to support for the operations of the Target Group. The Target Group has various other financial assets and liabilities such as trade, notes and other receivables, trade, notes and other payables, which arise directly from its operations.

The risks of the Target Group's financial instruments are mainly arising from foreign currency risk, interest rate risk, credit risk and liquidity risk. The directors of the Target Company review and agree policies for managing each of these risks and they are summarised below.

Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

As at December 31, 2023, 2024 and 2025, the Target Group's major monetary assets and liabilities exposed to foreign currency risk are listed below:

	USD	JPY
	RMB'000	*RMB'000*
As at December 31, 2023		
Assets	3,363	1,274
Liabilities	—	—
Net exposure	3,363	1,274
As at December 31, 2024		
Assets	6,382	1,684
Liabilities	—	—
Net exposure	6,382	1,684
As at December 31, 2025		
Assets	6,998	1,587
Liabilities	—	—
Net exposure	6,998	1,587

Sensitivity analysis

The following table details the Target Group's sensitivity to a 10% increase and decrease in RMB against USD and JPY. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding USD and JPY denominated monetary items and adjusts their translation at the end of each year for the Track Record Period for a 10% change in foreign currency rates. A negative number below indicates a decrease in profit before income tax where RMB strengthen 10% against USD and JPY. For a 10% weakening of RMB against USD and JPY, there would be an equal and opposite impact on the profit before income tax and the amounts below would be positive.

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
USD	(336)	(638)	(700)
JPY	(127)	(168)	(159)

Interest rate risk

The Target Group's interest rate risk primarily arises from long-term interest-bearing borrowings with a floating interest rate. The Target Group's policy is to manage its interest cost using a mix of fixed and variable rate debts.

The Target Group has been monitoring the level of interest rates. The increase in the interest rates will increase the interest costs of borrowings at variable rates, which will further impact the performance of the Target Group.

The following tables list out the interest rate profiles of the Target Group's variables interest-bearing financial instruments as at December 31, 2023, 2024 and 2025:

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Floating rate instruments			
— Borrowings	30,027	118,606	241,658

The benchmark rates of floating rate borrowings were 1-year Loan Prime Rate ("**LPR**") as at December 31, 2023, 2024 and 2025. The interest rates of floating rate borrowings as at December 31, 2023, 2024 and 2025 was 2.90%, 2.80%–3.00% and 2.24%–2.65%, respectively. If interest rates of floating rate instruments had been 100 basis points higher/lower with all other variables held constant, the profit before income tax would be lower/higher by approximately RMB84,000, RMB1,074,000 and RMB1,458,000 as at December 31, 2023, 2024 and 2025, respectively.

Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Target Group. The Target Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations.

The Target Group's maximum exposure to credit risk is represented by cash at bank and on hand, restricted bank deposits, trade receivables, notes receivables and other receivables, as disclosed in Note 37 to the Historical Financial Information. The Target Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Target Group has concentration of credit risk as 31.18%, 22.88% and 27.82% of the total trade and notes receivables was due from the Target Group's largest customer as at December 31, 2023, 2024 and 2025, respectively. The Target Group has concentration of credit risk as 60.50%, 57.39% and 73.01% of the total trade and notes receivables was due from the Target Group's five largest customers as at December 31, 2023, 2024 and 2025, respectively.

As at December 31, 2023, 2024 and 2025, The Target Group has no credit risk other than financial assets whose carrying amounts best represent the maximum exposure to credit risk.

(a) Cash at bank and on hand and restricted bank deposits

To manage risk arising from cash at bank and on hand and restricted bank deposits, the Target Group only transacts with state-owned or reputable financial institutions. There has been no recent history of default in relation to these financial institutions. These instruments are considered to have low credit risk because they have a low risk of default and the counterparties have a strong capacity to meet their contractual cash flow obligations in the near term. Cash at bank and on hand and restricted bank deposits are also subject to the impairment requirements of IFRS 9, while the identified credit loss was immaterial.

(b) Trade and notes receivables and notes receivables measured at FVTOCI

The Target Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade and notes receivables. To measure the expected credit losses, trade and notes receivables have been grouped based on shared credit risk characteristics and ageing.

The expected loss rates are determined by reference to the credit rating analysis of respective customers and external data or based on the payment profiles of sales over a period before the respective period ends and the corresponding historical credit losses experienced within these periods. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Target Group has identified the Gross Domestic Product ("**GDP**") and inflation rates to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Individually impaired trade and notes receivables are related to customers who are experiencing unexpected economic difficulties. The Target Group expects that there will be difficulty in recovering the amounts of the receivables partially or entirely and has recognised impairment losses.

The Target Group's trade and notes receivables as described in Note 20 mainly represented receivables received from the sales of goods to customers.

Trade and notes receivables

Except for receivables assessed for credit risk on an individual basis, the Target Group groups its receivables portfolios based on common credit risk characteristics.

As at December 31, 2023, 2024 and 2025, the allowance for impairment for the trade and notes receivables were determined as follows:

	Gross carrying amount	Allowance for impairment	Expected loss rate
	RMB'000	*RMB'000*	*%*
As at December 31, 2023			
Assessed based on common credit risk.	929,596	(46,608)	5.01
Assessed individually	80,117	(80,117)	100.00
	1,009,713	(126,725)	12.55
As at December 31, 2024			
Assessed based on common credit risk.	1,062,378	(53,188)	5.01
Assessed individually	91,681	(91,681)	100.00
	1,154,059	(144,869)	12.55
As at December 31, 2025			
Assessed based on common credit risk.	1,070,579	(53,567)	5.00
Assessed individually	91,198	(91,198)	100.00
	1,161,777	(144,765)	12.46

Notes receivables measured at FVTOCI

All of notes receivables measured at FVTOCI were issued by banks. Notes receivables measured at FVTOCI are considered to have low credit risk because they have a low risk of default and the counterparties have a strong capacity to meet their contractual cash flow obligations in the near term. Accordingly, the impairment provision is immaterial.

Other receivables

Over the term of other receivables, the Target Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. To assess whether there is a significant increase in credit risk in other receivables, the Target Group compares the risk of a default occurring on the financial assets at the end of each year for the Track Record Period with the risk of default at the date of initial recognition. It considers available, reasonable, supportive forward-looking information. Especially, the following indicators are incorporated:

- external credit rating of the counterparty (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations;
- actual or expected significant changes in the operating results of the counterparty; and
- significant expected changes in the performance and behaviour of the counterparty, including changes in the payment status of the counterparty.

Based on historical experiences and consideration of forward-looking information, other receivables from related parties were settled within 12 months after upon maturity, hence the ECL is minimal. The impairment on other receivables as stated in Note 21 to the Historical Financial Information, which were accounted for as amortised cost is measured as either 12-month ECL or lifetime ECL. On such basis, the following table sets forth the impairment for other receivables as at December 31, 2023, 2024 and 2025, the balances of other receivables are classified as Stage 1 without any significant increase in credit risk tracked since initial recognition:

	Gross carrying amount	Allowance for impairment	Expected loss rate
	RMB'000	*RMB'000*	%
As at December 31, 2023			
Other receivables	10,541	(1,396)	13.24
As at December 31, 2024			
Other receivables	18,601	(1,722)	9.26
As at December 31, 2025			
Other receivables	3,974	(1,868)	47.01

Liquidity risk

The Target Group aims to maintain sufficient cash at bank and on hand. Due to the dynamic nature of the underlying businesses, the Target Group maintains flexibility in funding by maintaining adequate balances of such. The table below analyses the Target Group's financial liabilities by relevant maturity groupings based on the remaining period since the end of each year for the Track Record Period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows or the carrying amount of the financial liabilities to be delivered.

	Within 1 year	1 to 2 years	2 to 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2023				
Financial liabilities included in trade, notes and other payables	1,863,330	—	—	1,863,330
Borrowings	2,783	2,700	91,505	96,988
Lease liabilities	4,299	1,586	—	5,885
	1,870,412	4,286	91,505	1,966,203
As at December 31, 2024				
Financial liabilities included in trade, notes and other payables	2,022,496	—	—	2,022,496
Borrowings	49,785	107,278	70,630	227,693
Lease liabilities	2,127	—	—	2,127
	2,074,408	107,278	70,630	2,252,316
As at December 31, 2025				
Financial liabilities included in trade, notes and other payables	2,103,113	—	—	2,103,113
Borrowings	401,556	93,644	46,990	542,190
Lease liabilities	1,038	1,038	—	2,076
	2,505,707	94,682	46,990	2,647,379

Capital management

The primary objectives of the Target Group's capital management are to safeguard the Target Group's ability to continue as a going concern by pricing services commensurately with the level of risk so that it can continue to provide returns and benefits to the shareholders and other stakeholders.

The Target Group sets the amount of capital in proportion to risk. The Target Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the subject assets. In order to maintain or adjust the capital structure, the Target Group may adjust the amounts of dividends paid to the shareholders or return capital to the shareholders. The Target Group is not subject to any external capital requirements. During the Track Record Period, there are no changes in capital management objectives, policies or procedures.

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Total assets	2,906,391	3,299,770	3,824,844
Total liabilities	2,189,227	2,462,546	2,871,219
Liability-to-asset ratio	75.32%	74.63%	75.07%

40. CONTINGENT LIABILITY

As of December 31, 2023, 2024 and 2025, the Target Group has no significant outstanding litigation or contingent liability that in the opinion of the directors of the Target Company would have material impact to the Target Group's financial position.

41. EVENT AFTER THE END OF THE REPORTING PERIOD

On February 25, 2026 and April 28, 2026, the Company entered into a share transfer agreement and a supplemental agreement with the four existing shareholders of the Target Company, pursuant to which each of the four existing shareholders (all being Independent Third Parties) of the Target Company conditionally agreed to transfer and the Company conditionally agreed to acquire 30.4365%, 15.0817%, 3.6364% and 1.8182% equity interest in the Target Company, respectively (the "**Acquisition**") at a consideration of RMB669,602,185, RMB331,797,815, RMB80,000,000 and RMB40,000,000, respectively. As of the date of this report, the Acquisition has not been completed. Upon completion, the Target Company will be owned as to 50.9727% by the Company and become a non-wholly-owned subsidiary of the Company.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company, the Target Group or any of the companies comprising the Target Group in respect of any period subsequent to December 31, 2025.