OVERVIEW

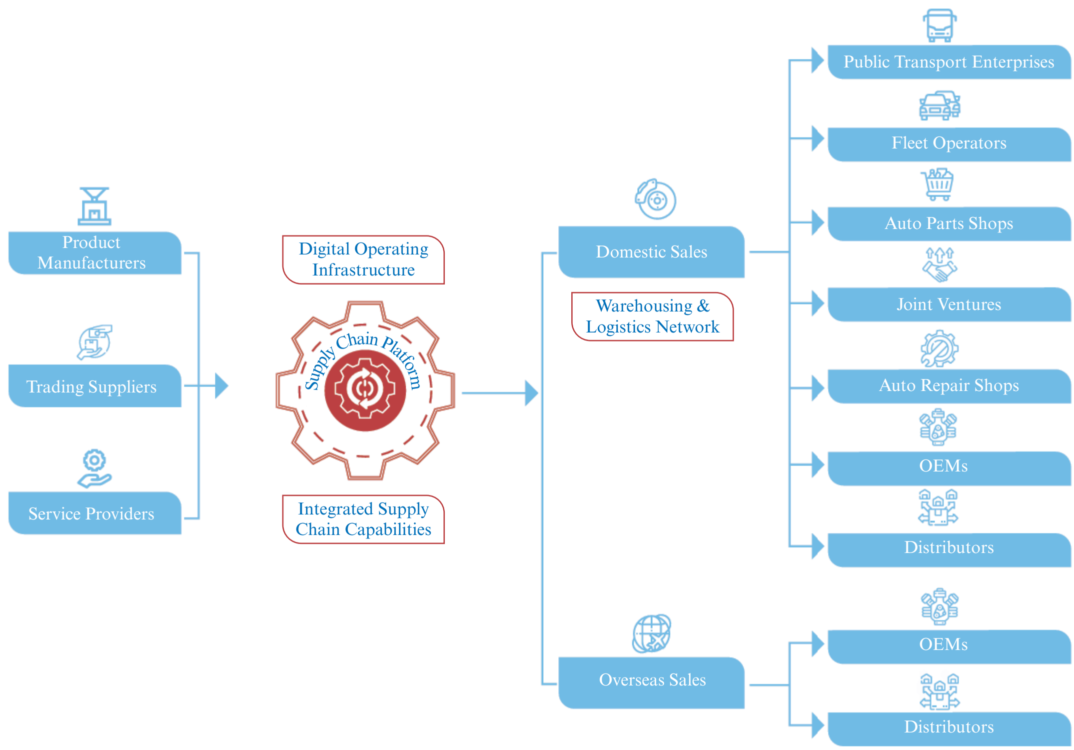
We are a leading commercial vehicle service provider and supply chain platform in China. According to CIC, we ranked first in China's commercial vehicle service market both in terms of revenue in 2025 and the number of operating stores as of December 31, 2025. The commercial vehicle service market refers to the market providing post-sale services for commercial vehicles throughout their lifecycle, mainly comprising auto parts supply chain services as well as repair and maintenance services. Our business primarily focuses on auto parts supply chain services, providing cross-brand product sourcing, stringent quality assurance, integrated end-to-end supply chain operation, and cost-efficient solutions to meet wide-ranging demands in the commercial vehicle service market as a platform-based service provider. Leveraging our nationwide network of operating stores, integrated warehousing and logistics infrastructure, and digital operational capabilities, we directly connect upstream auto parts manufacturers with downstream customers, including auto parts service shops and other industry participants, through our comprehensive one-stop supply chain platform.

We offer a broad range of products to meet the daily operating, maintenance and repair needs of commercial vehicle customers across different scenarios. Our product portfolio covers chassis parts, universal parts, gearbox parts, electrical parts, engine parts, and body accessories parts. In particular, chassis parts are core assemblies for vehicle controlling, which play a vital role in vehicle performance and driving safety. Leveraging our integrated supply chain capabilities, we source our products from various suppliers and manufacturers, enabling us to provide a broad selection of authentic and cost-effective products across different categories, brands and specifications. As of the Latest Practicable Date, we offered more than 326,000 SKUs for the domestic and overseas markets, catering to diversified market demands.

Our services are built around our product offerings and mainly include delivery, technical support, and after-sales services. Integrating supporting services with sales, we deliver on-site technical services including claim handling, installation guidance, troubleshooting, end-user training and exhibition support, forming a high-barrier closed-loop service system and boosting customer loyalty. As of the Latest Practicable Date, we served more than 222,000 customers. Domestically, we principally serve customers in the commercial vehicle service market through our nationwide network of operating stores, supported by a nationwide warehousing and logistics system. This enables us to provide product matching, timely delivery, reliable technical support and standardized after-sales services. We have also developed a joint venture model with local state-owned public transport enterprises, under which we combine our procurement, operational and digital capabilities with our local partners' regional resources and customer access. This allows us to deepen our market penetration in selected regions and strengthen relationships with long-standing institutional customers. As of the Latest Practicable Date, we had a nationwide network of 265 operating stores across 30 provincial-level administrative regions in Chinese Mainland. Overseas, we have built up our global footprint, with products sold to approximately 100 countries and regions mainly through our global distribution network. We provide diverse product offerings, dedicated technical support and localized after-sales services via local partners and our dispatched technical staff, who provide technical support and conduct regular customer visits.

Customers in the commercial vehicle service market are generally more operationally focused and sensitive to delivery timelines, supply stability, and service responsiveness compared with those in the passenger vehicle service market. Our domestic customer primarily includes auto repair shops, auto parts shops, OEMs, fleet operators, joint ventures, public transport enterprises, and distributors, while our overseas customers primarily include distributors and OEMs. Given the fragmented nature of the commercial vehicle service market and the wide range of SKUs required, we believe that scale, fulfillment capability, service consistency and supply chain management are critical to our success. These characteristics align closely with our nationwide store network, integrated warehousing and logistics system, and digital supply chain capabilities, enabling us to better serve our customers and capture market opportunities.

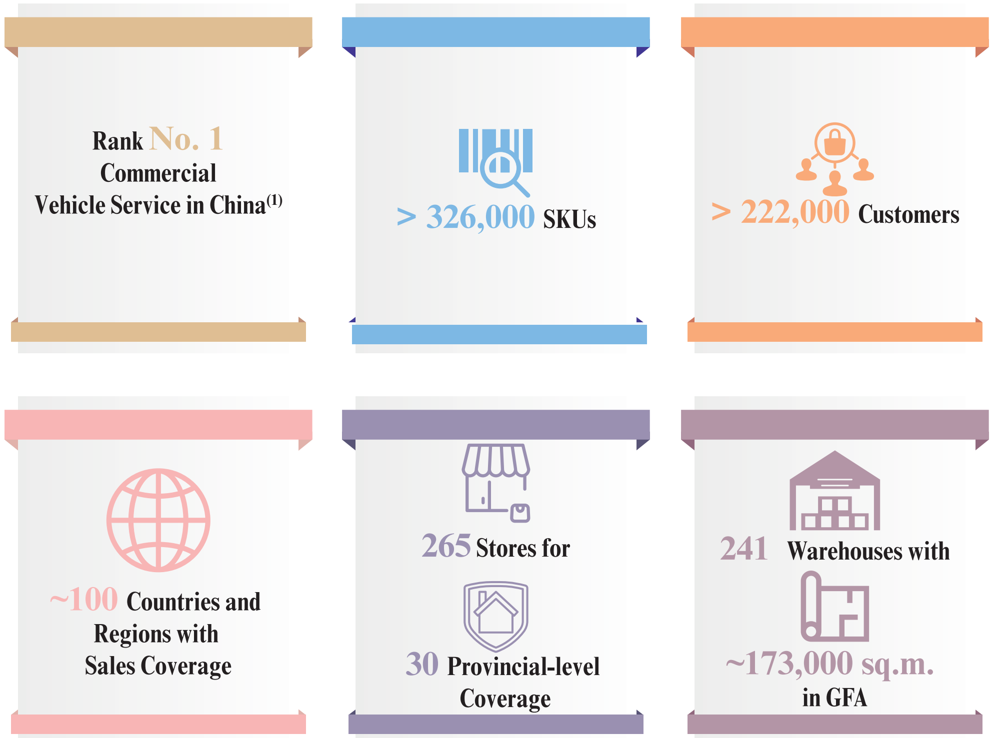
The diagram below sets forth our nexus position linking upstream suppliers and downstream end customers in the industrial chain.



Our operating capabilities are supported by our "One Core, Two Wings (一主兩翼)" digital operating infrastructure. "One Core" refers to our SAP ERP system, which serves as the core platform for finance, procurement, sales and inventory management. We have also developed "Two Wings", namely our SRM platform and our CRM platform, for supplier collaboration, store management, warehousing and logistics management, which enable us to improve information flow, strengthen operational control and support order fulfillment across our platform. Upstream, our SRM platform facilitates product sourcing, procurement order coordination, reconciliation and settlement workflows for over 3,800 suppliers. Downstream, our CRM platform supports product catalogue access, promotional interaction and technical support services, covering our operating stores. We believe this digital operating infrastructure enhances our operating efficiency, inventory management and fulfillment responsiveness.

Our fulfillment capabilities are underpinned by our warehousing and logistics network. As of the Latest Practicable Date, we had established a three-tier warehousing and fulfillment network consisting of one headquarter warehouse, 27 provincial warehouses and 213 storefront warehouses, with a total warehousing area of approximately 173,000 sq.m. Our operating stores are also supported by a fleet of over 600 self-operated delivery vehicles and collaborative third-party logistics providers. We can promptly respond to customers' urgent delivery needs by providing on-site delivery as fast as 30 minutes and generally no later than 48 hours during the Track Record Period. We believe this offline fulfillment capability is particularly important in the commercial vehicle service market, where response speed is critical because minimizing vehicle downtime is essential for customers to resume operations and generate revenue.

Highlights of our developments as of the Latest Practicable Date are set forth as follows:



Note:

(1) In terms of both revenue in 2025 and the number of operating stores as of December 31, 2025, according to CIC.

Our product breadth, sales network, digital systems, warehousing and logistics capabilities, and service support together form an integrated commercial vehicle service solution. We believe these capabilities have enabled us to establish a differentiated market position in China's commercial vehicle service market, particularly among customers such as public transport enterprises, fleet operators and repair shops that value product availability, service reliability and fulfillment efficiency. These core competencies lay a solid foundation for our overall financial performance and sustain our leading position in the commercial vehicle service market.

OUR STRENGTHS

Largest Commercial Vehicle Service Provider in China with Full-range Product Offering and Reliable Service Support

We are the largest commercial vehicle service provider in China, in terms of both revenue in 2025 and the number of operating stores as of December 31, 2025, according to CIC. As a supply chain platform, we connect over 3,800 suppliers and over 222,000 customers and deliver cross-brand, comprehensive supply chain solutions as of the Latest Practicable Date.

We provide a broad range of products and related services for the commercial vehicle service market, enabling customers to fulfill recurring parts procurement needs for vehicle maintenance and repair through our one-stop platform. Our product portfolio covers six principal categories, namely chassis parts, universal parts, gearbox parts, electrical parts, engine parts, and body accessories parts. As of the Latest Practicable Date, we offered more than 326,000 SKUs for the domestic and overseas markets, enabling us to support a broad range of commercial vehicle models and operating scenarios. Our chassis parts, particularly braking-related and other safety-related parts, are currently our most commercially important category and serve as an important anchor for customer acquisition. At the same time, our expanding universal parts and other product categories strengthen our one-stop procurement capability and increase customer reliance on our platform for multi-category sourcing.

Our value proposition extends beyond product breadth. We combine reliable product supply with end-to-end capabilities spanning logistics delivery, technical support and after-sales services, enabling us to deliver holistic solutions for our customers, rather than standalone auto parts sales. We have implemented a unified after-sales warranty mechanism, under which we are able to check historical purchase records, and our customers are entitled to consistent warranty benefits at any of our stores through our system. We also operate a 7x24-hour technical support hotline staffed by professional technicians and also provide on-site support services. During the Track Record Period, we did not experience any large-scale stockouts, material quality incidents or massive product recalls. Our unified nationwide after-sales service policies help deliver consistent and reliable customer experience.

In the commercial vehicle service market, vehicle operational uptime directly affects customers' business efficiency and revenue generation, thus product authenticity, service responsiveness, service consistency and cost efficiency are critical considerations in customers' vehicle parts purchasing decisions. We believe our ability to provide a broad range of authentic and cost-effective products supported by our reliable service support elevates overall customer experience and fosters long-term customer loyalty, allowing us to establish a strong competitive position against fragmented regional market participants.

Digital Operational Infrastructure and Extensive Supply Chain Network Driving Operational Excellence

Our customer-facing product and service quality is underpinned by our robust digital operating infrastructure and supply chain management capabilities. By developing our digital operating infrastructure under the "One Core, Two Wings" framework and an extensive supply chain network, we empower participants across the industrial chain and improve overall operational efficiency.

With our SAP ERP system serving as the core infrastructure, we have established an integrated business and financial back-office platform covering finance, procurement, sales and inventory management. As of the Latest Practicable Date, the platform connected with our 265 operating stores nationwide, supporting centralized management and real-time data synchronization across the entire network.

On top of this core platform, our two strategic wings drive holistic upstream and downstream value chain collaboration. On the upstream front, our Chanxiaobao (產銷寶) SRM platform enables fully digital end-to-end supplier collaboration with over 3,800 manufacturing partners, streamlining full-cycle upstream processes from sourcing and procurement to reconciliation and settlement with enhanced information consistency and operational agility. On the downstream front, our Ruilibao (瑞立寶) CRM platform enables customers to access our product catalogue and facilitates our marketing promotion. To further enhance overall operating efficiency, our self-developed CX store management and TMS logistics systems complete a seamless operational closed loop covering order fulfillment, internal stock allocation and logistics tracking to drive unified network-wide governance and comprehensive data integration.

Furthermore, we have also developed an extensive and responsive offline supply chain network underpinned by a nationwide warehousing infrastructure. As of the Latest Practicable Date, we have established a three-tier warehousing and fulfillment network: (i) one headquarter warehouse of approximately 14,000 sq.m.; (ii) 27 provincial warehouses with an aggregate area of approximately 67,000 sq.m.; and (iii) 209 storefront warehouses with an aggregate area of approximately 92,000 sq.m. Our total warehousing area amounts to approximately 173,000 sq.m. We can promptly respond to customers' urgent delivery needs by providing on-site delivery as fast as 30 minutes and no later than 48 hours during the Track Record Period. According to CIC, we outperform the industry average in terms of delivery time.

Our robust operational capabilities ultimately allow us to achieve agile response, stable supply, consistent service delivery and strong cost-effectiveness. We believe the synergy between our digital operational infrastructure and well-established supply chain network constitutes a fundamental cornerstone of our competitive edge within the commercial vehicle service market.

Extensive Sales Network and Joint Venture Model Underpinning Sustainable Business Expansion

We have established an extensive domestic sales and service network anchored by our operating stores covering 30 provincial-level administrative regions. As of the Latest Practicable Date, we had 265 operating stores across China, serving over 222,000 end customers, including auto repair shops, large fleets, logistics companies and state-owned public transport enterprises. This nationwide network enables us to maintain close access to end customers, respond to localized demand and provide more consistent service standards across different regions, laying a solid foundation for the sustained expansion of our business across China. In addition, we have developed a joint venture model with local state-owned public transport enterprises, through which we combine our operational and digital capabilities with local partners' regional resources and customer access. With 63 joint ventures launched as of the Latest Practicable Date, this model has enabled us to establish long-term and stable relationships with public transport customers and deepen our market penetration in selected local markets.

Overseas, our service network covers approximately 100 countries and regions. During the Track Record Period, our overseas revenue accounted for 37.0%, 35.0% and 35.0%, respectively, of our total revenue for the years ended 31 December 2023, 2024 and 2025. The deep synergy between our domestic centralized procurement advantages and overseas sales network has not only optimized supply chain efficiency but also further expanded the international scope of our business. We collaborate with selected local channel partners that have profound insights into local markets and well-established regional resources for the distribution of our products and provision of localized support across the globe.

Early Strategic Deployment and Established Capabilities in the New Energy Vehicle Sector

Our product portfolio covers a wide range of new energy vehicle parts to address surging market demand in the segment. In particular, we launched our dedicated NEV product, electric air compressor, as early as 2019. Meanwhile, many of our auto parts are compatible with both traditional fuel vehicles and NEVs, which underpins our competitive strengths through diversified product resources and accumulated supply chain synergies. Further, backed by our nationwide network of operating stores across 30 provincial-level administrative regions, we are able to deliver unified nationwide warranty services and rapidly scale up dedicated new energy vehicle service capabilities to serve both new energy and conventional fuel vehicle customers. Notably, we have established long-term and stable partnerships with state-owned public transport operators through joint venture arrangements, which underpins consistent sales of new energy commercial vehicle parts and supports retention of high-value customers, as fleet electrification among public transport operators represents an irreversible industry trend. Our established partnerships with upstream suppliers, extensive product portfolio, superior product quality, responsive and reliable services, and integrated supply chain capabilities equip us with distinct advantages in pricing, cost control and overall competitiveness. In addition, leveraging accumulated expertise in supply chain management, technical insights and customer service built upon long-standing commercial vehicle operations, we conduct end-to-end supplier management across quality control, product launch and pricing. We also maintain close technical collaboration and timely market feedback mechanisms with upstream manufacturers, enabling the customized development of high-quality and cost-effective auto parts solutions for new energy commercial vehicles.

Visionary Management Team and Internally Developed Talent Base Supporting Long-term Growth

We have a visionary and experienced management team with deep industry knowledge and substantial hands-on experience in manufacturing, supply chain management and service market operations. Our founder and most members of our management team have been with us since our early development, and we believe their strategic vision and execution capabilities have been instrumental to our growth. We have also received long-term recognition and support from a number of well-known investors and strategic partners. Supported by our strong and reputable shareholders, we enjoys distinctive competitive edges in resource allocation and business expansion.

In addition, we have developed an internal talent cultivation system tailored to the commercial vehicle service market. Featuring prolonged capital turnover cycles and high requirements for holistic professional competence, the industry demands multidisciplinary expertise spanning product knowledge, sales proficiency and dynamic industry adaptability. Through our talent cultivation system built over years of operational accumulation, we have internally nurtured and retained skilled professionals. Given the lengthy cultivation cycle and high integrated competency threshold required for such talents, they cannot be rapidly replicated by way of short-term capital investment, thereby forming a robust core competitive advantage and sustainable entry barrier for our business.

OUR STRATEGIES

Further Improve Supply Chain Capabilities and Operational Efficiency

We plan to continue strengthening our supply chain management, warehousing and logistics capabilities, with a view to improving operational efficiency, service responsiveness and cost-effectiveness. We also plan to further optimize coordination across procurement, inventory management, warehousing, delivery and store operations. In particular, we intend to establish warehouses overseas to facilitate overseas product sourcing and procurement.

Moreover, we plan to expand our business scale and further improve operational efficiency by directly connecting suppliers and customers in both the commercial vehicle service market and passenger vehicle service market through our Shanghai International Permanent Auto Parts Exhibition Center, as our global supply chain hub. With a gross floor area of approximately 18,667 sq.m. and operating on a 365-day basis, this permanent platform is designed to provide a comprehensive supply chain empowerment system including order matching, traffic guarantee, brand promotion, industry events, professional services and policy incentives, enabling enterprises to access the global auto parts market with ease. We intend to attract auto parts enterprises to establish their presence in this hub and integrate online and offline operations. Thus, we intend to extend our customer base to individual end consumers in the passenger vehicle service market.

We believe these efforts will further strengthen our existing fulfillment capabilities, improve customer experience and extend our customer reach in both domestic and overseas markets.

Deepen Customer Relationship and Expand Strategic Partnerships

We intend to further deepen our relationships with key customer groups in the commercial vehicle service market, particularly public transport enterprises. We plan to continue building long-term stable partnerships with state-owned public transport enterprises via joint ventures. This will help us secure core loyal clients, expand our business scope and upgrade service fulfillment capabilities, thereby reinforcing our competitive position in the commercial vehicle service market. Furthermore, we aim to pursue strategic shareholdings and acquisitions of regional passenger vehicle service providers across both domestic and overseas markets. This will allow us to integrate resources across the commercial and passenger vehicle sectors, reduce operational costs, and enhance our overall service capabilities. Backed by our strong reputation and industrial standing, we expect to gain greater trust from counterparties, strengthen our negotiating position, and secure more favourable commercial terms.

Expand Network Coverage in Lower-tier Markets

Driven by the continuing growth of the commercial vehicle service market in China, demand for accessible, extensive and standardized commercial vehicle services continues to rise across China. We plan to continue expanding and optimizing our sales and service network in China to enhance customer reach and improve service accessibility, with a particular focus on lower-tier markets and regions with promising demands for commercial vehicle services. We intend to extend our sales channels into county-level areas through developing a franchised store network. Such initiatives aim to strengthen customer loyalty, help end customers in lower-tier markets achieve cost savings and improved operational efficiency, while further consolidating our overall market position.

Pursue Prudent Overseas Expansion

We intend to further advance our overseas expansion in a prudent manner by strengthening channel cooperation, improving localized support capabilities and enhancing coordination between our domestic supply chain and overseas sales network. We believe these efforts will help us capture opportunities arising from demand in selected overseas commercial vehicle service market segments and further diversify our revenue base.

We plan to further develop and expand our overseas technical and sales team and continue to enhance a localized service network covering key regions through cooperations with local channel partners. For mature markets, we intend to deepen market penetration and increase our market share by expanding collaboration with established local partners and achieving channel sinking through their networks. For high-growth emerging markets, we intend to closely cooperate with local partners to explore potential customer resources and optimize operational efficiency, thereby forming a virtuous cycle from market penetration to market share expansion.

We intend to actively align with the Belt and Road Initiative, leveraging the dual drivers of national policy support and localized overseas cooperation to gain a competitive edge in overseas markets. Benefiting from our integrated supply chain capabilities, we have significant synergy advantages in overseas expansion. The cost advantages from domestic centralized procurement, combined with our overseas cooperative localized service network, enable us to efficiently coordinate product supply, technical support and after-sales services on a global scale.

Further Enhance Digital Capabilities

We intend to continue upgrading our digital operating systems to support more efficient management. We also plan to further explore digital tools and applications that can further empower upstream and downstream participants across the industrial chain. In addition, we plan to cooperate with an independent third party to develop customized vertical AI models for upgrading the key business functions of our systems. Specifically, we aim to develop an AI marketing agent that enables intelligent quotation, marketing and customer reception. We further aim to construct a logistics route optimization model featuring real-time traffic analysis and multi-warehouse allocation optimization. These initiatives are designed to improve marketing conversion, customer maintenance, delivery efficiency and reduce overall logistics expenses. We believe ongoing digitalization will remain an important foundation for our operational capabilities and future growth.

BUSINESS MODEL

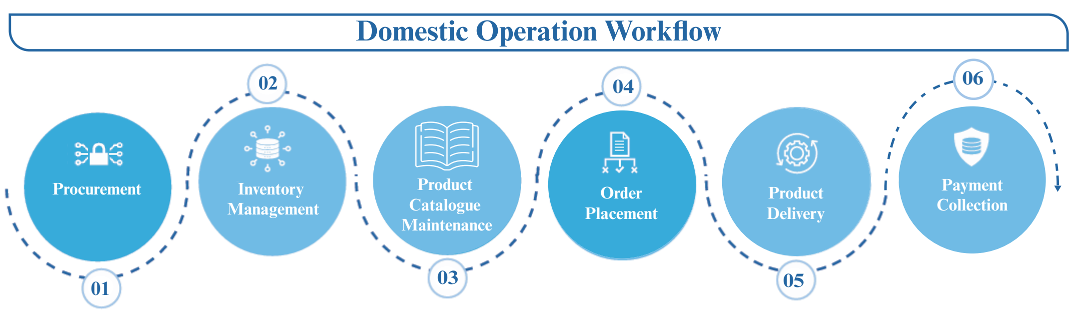
We are a leading commercial vehicle service provider and supply chain platform in China. According to CIC, we ranked first in China's commercial vehicle service market in terms of both revenue in 2025 and number of operating stores as of December 31, 2025. Our business primarily focuses on auto parts supply chain services, providing cross-brand product sourcing, stringent quality assurance, integrated end-to-end supply chain operation and cost-efficient solutions to meet wide-ranging demands in the commercial vehicle service market. Backed by a nationwide network of operating stores, integrated warehousing and logistics infrastructure, and digital operational capabilities, we have built a full-category one-stop service platform for industry participants. We have also contributed to foster a transparent market landscape, with standardized pricing mechanisms, strict quality management and reliable delivery capabilities.

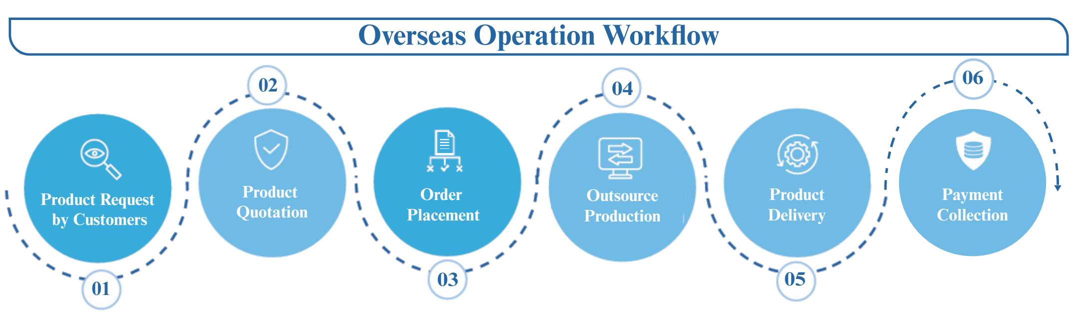
As a platform-based commercial vehicle service provider, we streamline multi-layered distribution by forging direct ties with upstream manufacturers and downstream end customers. Upstream, we procure products through a combination of centralized procurement and localized procurement, supported by our digital procurement and supplier collaboration systems. Downstream, our domestic customer base primarily includes auto repair shops, auto parts shops, joint ventures, fleet operators, OEMs, public transport enterprises and distributors, while our overseas customers primarily include distributors and OEMs.

We adopt differentiated expansion strategies for domestic and overseas markets to penetrate respective markets efficiently. Domestically, we principally operate through a network of operating stores under strong centralized control, supported by an extensive warehousing and logistics network and digital operating systems. We have also developed a joint venture model with local state-owned public transport groups, under which we combine our procurement, operational and digital capabilities with local partners' regional resources and customer access. Overseas, we primarily expand through our global distribution network, with distributors present in approximately 100 countries and regions across the world.

Our business workflow generally consists of the following key steps. Domestically, we first source products from upstream suppliers through centralized and localized procurement arrangements. Second, we conduct inventory storage and management through our nationwide warehouse network and digital operating systems. Third, we maintain accessible product catalogue for customers primarily through direct customer liaison, operating stores, or our online customer-facing platform. Fourth, customers place orders if our product specifications and delivery schedules align with their needs. Fifth, products are picked and delivered through our warehousing and logistics systems, and, where relevant, supported by troubleshooting, warranty handling and after-sales services. Sixth, we collect payment upon delivery through our digital operating systems, which supports strong control over pricing, receivables, inventory and internal approvals. Overseas, we adopt a back-to-back order fulfillment model. First, we maintain daily business communication with overseas customers, who submit quotation requests and specify their product requirements mainly via email correspondence. Second, we liaise with suppliers for initial inquiries provide formal product quotations in accordance with customer needs. Third, customers confirm and accept our quotations to place formal orders, with deposits or advance payments required only where applicable, generally ranging from 30% to 50% of the total order value. Fourth, we arrange production with selected suppliers after order confirmation. Firth, we complete product delivery generally on an FOB basis. Sixth, we collect the remaining balance payments for order closure.

The following flowcharts set forth the distinct business workflows for domestic and overseas markets.





We generate revenue primarily from the sales of auto parts products. Domestically, our revenue from product sales is recognized primarily upon the delivery and acceptance of products by the customers. For overseas export sales, our revenue is recognized primarily under FOB terms upon customs clearance and dispatch of goods. As such, our revenue model is fundamentally product-sale driven, while our supporting service capabilities underpin customer acquisition and retention, improve order fulfillment efficiency and strengthen our overall pricing competitiveness.

OUR PRODUCTS

We provide a comprehensive range of auto parts products for the commercial vehicle service market. Our offering is designed to meet customers' recurring needs for multi-category sourcing, timely fulfillment, technical support and after-sales assurance, rather than only supplying isolated products. Leveraging our integrated supply chain capabilities, we provide a broad selection of authentic, high-quality and cost-effective products across different categories, brands and specifications. As of the Latest Practicable Date, we offered more than 326,000 SKUs across the domestic and overseas markets, enabling us to support a broad range of commercial vehicle models and application scenarios.

Our product portfolio is currently organized into six principal categories: chassis parts, universal parts, gearbox parts, electrical parts, engine parts, body accessories parts. Chassis parts are currently our top-selling product category by revenue, followed by universal parts and gearbox parts, while the relative revenue contribution of electrical parts and universal parts is expected to increase over time. This reflects our ongoing efforts to broaden product coverage and reduce reliance on a single product category.

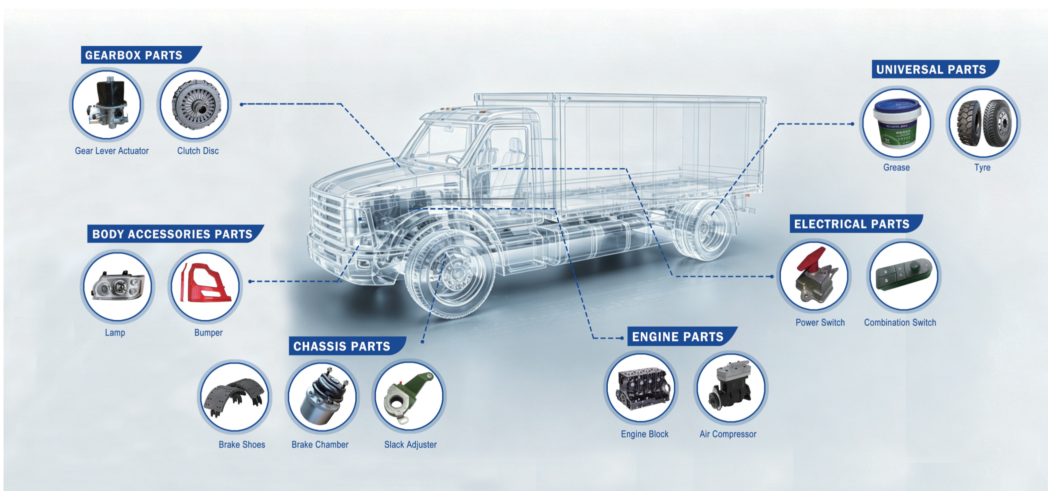
As our largest and most commercially important product category, chassis parts primarily include braking-related and other safety-critical chassis components with high maintenance frequency, serving as an important anchor category for customer acquisition and repeat purchases. Our solid competitiveness in chassis products is underpinned by the industrial layout and robust supply resources of the broader Ruili Company. We have secured exclusive distributorship rights with multiple auto parts suppliers controlled by Ruili Company to distribute their high-demand core chassis parts products across our extensive sales network. Universal parts represent another important category with broad demand frequency and strong traffic-driving function for stores, while gearbox parts, electrical parts, engine parts, and body accessories parts together enhance our one-stop procurement capabilities for customers with multi-category and cross-system demand. Accordingly, our full-spectrum product portfolio covers an extensive price range.

The table below sets forth a summary of certain features of our key products as of the Latest Practicable Date.

Product Category	Product Features	Price Range
Chassis Parts	Safety-centric parts such as differentials, axles, frame rails, and related accessories, providing integrated solutions for chassis load-bearing, vehicle braking and seamless driver manipulation	RMB130 ~ RMB5,800
Universal Parts	Standardized wear parts and maintenance consumables such as lubricants, tires, and batteries, broadly compatible with various commercial vehicle models	RMB13 ~ RMB7,700
Gearbox Parts	Power transmission parts such as 6-speed to 16-speed gearbox assemblies, and gearbox spare parts, delivering smoother power transfer, lower power loss and a lighter driving feel	RMB175 ~ RMB11,600
Electrical Parts	Automotive electric-electronic fittings such as vehicle-wide electrical parts, electronic control assemblies, and related accessories, forming integrated solutions for vehicle power generation and accurate circuit control	RMB90 ~ RMB2,650

Product Category	Product Features	Price Range
Engine Parts	Core powertrain parts such as 300HP to 650HP engine assemblies and engine accessories, covering full engine maintenance, overhaul and breakdown replacement needs and delivering a reliable all-in-one powertrain solution with diversified functionally integrated products	RMB300 ~ RMB85,000
Body Accessories Parts	Vehicle body and auxiliary fittings such as cab assemblies and cab accessories, catering to commercial vehicle collision repair and replacement demands	RMB115 ~ RMB2,490

The following diagram illustrates the application of our key auto parts products:



We source products from multiple suppliers, enabling us to provide authentic and cost-effective products across a wide range of categories, brands and specifications. We maintain a diversified supplier base within each product line, with over 3,800 suppliers in total, which effectively reduces our reliance on individual suppliers. This allows us to evolve from a product-specific distribution model into a broader platform-based product supply model that better fits the fragmented and multi-SKU nature of the commercial vehicle service market.

We offer supporting services alongside our product portfolio, including delivery, technical support, troubleshooting and warranty handling. Domestically, these services are primarily delivered through our operating stores, customer-facing online platform, 7x24-hour service hotline, warehousing and logistics network, while in overseas markets they are primarily supported by the local distributors through channel cooperation. Accordingly, our competitive proposition lies not only in what products we sell, but also in how we fulfill, support and manage those products for customers in a time-sensitive and operationally demanding service market environment.

The following table sets forth a breakdown of our revenue by product categories during the Track Record Period.

	For the year ended December 31					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Product categories						
Chassis Parts	1,693,008	63.3	1,713,427	63.1	1,550,882	61.9
Universal Parts	461,418	17.2	476,668	17.6	451,975	18.0
Gearbox Parts	275,651	10.3	284,473	10.5	256,812	10.3
Electrical Parts	158,716	5.9	164,249	6.0	167,674	6.7
Engine Parts	66,283	2.5	52,454	1.9	55,114	2.2
Body Accessories Parts	21,088	0.8	24,059	0.9	21,916	0.9
Total	**2,676,164**	**100.0**	**2,715,330**	**100.0**	**2,504,373**	**100.0**

SALES AND MARKETING

Sales Model

We adopt a hybrid sales model comprising both direct sales and distribution sales. Direct sales enable us to directly engage end customers. Meanwhile, our distribution sales network complements our direct sales by expanding overall market coverage, especially in overseas markets. We continue to scale up our direct outreach capabilities to end customers, while maintaining sound cooperation with local distributors to achieve balanced and high-quality business development amid diversified regional market demands.

The following table sets forth our revenue by geographic locations of contracting counterparties for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Chinese Mainland	1,684,020	63.0	1,763,639	65.0	1,627,118	65.0
Europe(1)	254,226	9.4	233,576	8.6	209,102	8.3
North America(2)	229,845	8.6	239,119	8.8	197,587	7.9
Asia(3)	238,419	8.9	226,265	8.3	250,043	10.0
South America(4)	164,324	6.1	142,934	5.3	132,738	5.3
Africa(5)	79,674	3.0	87,478	3.2	66,810	2.7
Oceania(6)	25,656	1.0	22,319	0.8	20,975	0.8
Total	**2,676,164**	**100.0**	**2,715,330**	**100.0**	**2,504,373**	**100.0**

Notes:

(1) Primarily represents revenue generated from Russia, Spain and other European markets.

(2) Primarily represents revenue generated from the United States, Costa Rica, Guatemala and other North American markets.

(3) Primarily represents revenue generated from the United Arab Emirates, India and other Asian markets, excluding Chinese Mainland.

(4) Primarily represents revenue generated from Brazil, Colombia, Argentina and other South American markets.

(5) Primarily represents revenue generated from South Africa, Algeria, Egypt and other African markets.

(6) Primarily represents revenue generated from Australia, New Zealand and other Oceanian markets.

We have expanded our supply chain platform through a network of operating stores, backed by our digital operational system in the domestic market. We can promptly respond to customers' urgent delivery needs by providing on-site delivery as fast as 30 minutes and generally no later than 48 hours during the Track Record Period. Our online customer-facing platform primarily focuses on brand exposure and customer acquisition, while also acting as an online business directory to showcase comprehensive product information.

For overseas markets, we have cooperated with local partners, mainly through distributors, to expand our product offerings. After-sales service for overseas end customers are undertaken by local distributors, and our dedicated overseas department only provide after-sales support to these local distributors, with personnel dispatched abroad from time to time to deliver on-site product usage guidance.

The following table sets forth the revenue breakdown by sales model both in absolute amount and as percentages of total revenue during the years indicated.

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Direct sales						
Domestic directs sales	1,540,224	57.6	1,614,824	59.5	1,573,085	62.8
Overseas direct sales	38,455	1.4	41,610	1.5	29,844	1.2
Subtotal	**1,578,679**	**59.0**	**1,656,434**	**61.0**	**1,602,929**	**64.0**
Distribution sales						
Domestic distributors	143,796	5.4	148,815	5.5	54,033	2.2
Overseas distributors	953,689	35.6	910,081	33.5	847,411	33.8
Subtotal	**1,097,485**	**41.0**	**1,058,896**	**39.0**	**901,444**	**36.0**
Total	**2,676,164**	**100.0**	**2,715,330**	**100.0**	**2,504,373**	**100.0**

Domestic market

During the Track Record Period, our revenue generated from Chinese Mainland amounted to RMB1,684.0 million, RMB1,763.6 million and RMB1,627.1 million for the years ended December 31, 2023, 2024 and 2025, representing 63.0%, 65.0% and 65.0%, respectively, of our total revenue for the same years. We have established an extensive domestic sales network centered on our operating stores. We maintain centralized control over our operating stores. Our operating stores refer to physical offline business stores that are directly invested and operated by us, with consistent internal controls covering daily operations, sales, procurement, inventory, pricing, and on-site personnel matters. As of the Latest Practicable Date, we have 265 operating stores in China.

Our joint venture cooperation model with local state-owned public transport enterprise leverages our superb operational capabilities, digital operating systems and integrated supply chain resources with our local state-owned enterprise partners' regional market layout, geographical advantages and stable customer channels, to solidify our foothold in targeted regional markets. Such long-term strategic cooperation enables us to build sustainable and stable partnerships with public transport operators, effectively enhancing local market penetration, securing recurring parts sales demand and underpinning the retention of high-quality, high-value customers. Meanwhile, our established partnerships with upstream suppliers and an end-to-end supply chain system further strengthen our comprehensive cost efficiency and pricing edge, laying a solid foundation for sustainable business development. In accordance with relevant accounting policies, we consolidate the joint ventures over which we exercise control, whereas those without our control are not consolidated.

The table below sets forth the movement in the number of our operating stores during the years indicated.

	For the year ended December 31,		
	2023	2024	2025
Number of stores at the beginning of the year	318	321	302
Number of new stores	5	40	26
Number of terminated stores	2	59	63
Number of stores at the end of the year	**321**	**302**	**265**

During the Track Record Period, the number of our operating stores decreased, as we strategically optimized our store network. We focused on high-efficiency locations and phased out low-performing operating stores, to improve overall efficiency and profitability.

We mainly adopt a direct sales model in the domestic market, where we directly sell products to auto repair shops, auto parts shops, joint ventures, fleet operators, OEMs, and public transport enterprises. Our domestic distributors mainly export products sourced from us to overseas markets. For the years ended December 31, 2023, 2024 and 2025, revenue generated from domestic distributors amounted to RMB143.8 million, RMB148.8 million and RMB54.0 million, respectively, accounting for 8.5%, 8.4% and 3.3%, respectively, of our total domestic revenue for the same years.

Overseas markets

Overseas markets are a key driver of our long-term growth. During the Track Record Period, our overseas revenue amounted to RMB992.2 million, RMB951.7 million and RMB877.3 million, respectively, for the years ended December 31, 2023, 2024 and 2025, representing 37.0%, 35.0% and 35.0%, respectively, of our total revenue for the same years. As of the Latest Practicable Date, we had served customers across approximately 100 countries and regions spanning Europe, North America, Asia, South America, Africa and Oceania.

Our overseas customers primarily consist of distributors and OEMs. We mainly adopt a distribution sales model in the overseas market, supplemented by direct sales to OEMs. We provide local marketing initiatives and technical after-sales support to our overseas distributors to boost brand influence and deepen market penetration. Our overseas OEM customers are mostly local brand automakers.

Distribution Partnerships

We generally collaborate with distributors to leverage their established channels for deep penetration into local overseas markets. We maintain a seller and buyer relationship with our distributors. We recognize revenue from sales to distributors when control over the products has been transferred, which typically occurs upon delivery to distributors.

The summary of salient terms of our distribution agreements is set out below:

- *Duration:* Typically one year.
- *Territorial Sales Restrictions:* Distributors are authorized to sell our products in the designated country or region.
- *Delivery terms:* We generally deliver ordered goods in accordance with purchase orders under FOB terms.
- *Payment terms:* Generally by bank transfer.
- *Product returns:* We generally do not accept product returns after the acceptance of the products, except in cases of product quality issues and normal after-sales service requirements, which is in line with the industry practice.

Generally, we do not require distributors to meet a minimum purchase amount or a minimum sales target, nor do we mandate selling prices to end customers under our distribution agreements.

During the Track Record Period, we have not encountered any material breaches of distribution agreements, complaints with our distributors, or product returns or exchanges with distributors, in each case that could have a material adverse effect on our business, financial condition and results of operations.

Movements of distributors

The following table sets forth the movement in the number of our domestic distributors during the years indicated.

	For the year ended December 31,		
	2023	**2024**	**2025**
Number of active distributors at the beginning of the year(1) . .	51	65	70
Number of new distributors(2)	19	25	12
Number of terminated distributors(3)	5	20	23
Number of active distributors at the end of the year(4)	**65**	**70**	**59**

Notes:

(1) Active distributors at the beginning of the year refer to those who placed at least one order with us during the preceding year.

(2) New distributors refer to those who placed at least one order with us during the current year, but did not place any orders in the preceding year.

(3) Terminated distributors refer to those who did not place any orders with us during the current year, but placed at least one order with us in the preceding year.

(4) Active distributors at the end of the year refer to those who placed at least one order with us during the current year.

During the Track Record Period, our domestic distributors primarily procured our products for their overseas export sales. The number of domestic distributors increased slightly from 65 as of December 31, 2023 to 70 as of December 31, 2024. The number of domestic active distributors decreased to 59 as of December 31, 2025, mainly attributable to normal adjustments to individual distributors' business arrangements amid prevailing global market conditions.

The following table sets forth the movement in the number of our overseas distributors during the years indicated.

	For the year ended December 31,		
	2023	2024	2025
Number of active distributors at the beginning of the year(1)	349	336	335
Number of new distributors(2)	19	67	72
Number of terminated distributors(3)	32	68	62
Number of active distributors at the end of the year(4)	**336**	**335**	**345**

Notes:

(1) Active distributors at the beginning of the year refer to those who placed at least one order with us during the preceding year.

(2) New distributors refer to those who placed at least one order with us during the current year, but did not place any orders in the preceding year.

(3) Terminated distributors refer to those who did not place any orders with us during the current year, but placed at least one order with us in the preceding year.

(4) Active distributors at the end of the year refer to those who placed at least one order with us during the current year.

During the Track Record Period, our overseas distributors were mainly local partners who engaged in distribution of auto parts. The number of overseas distributors remained relatively stable at 336 and 335 as of December 31, 2023 and 2024, respectively. The number of overseas distributors increased slightly to 345 as of December 31, 2025, mainly driven by our efforts to expand distribution partnerships.

Independence of distributors

To the best of our knowledge, all of the distributors during the Track Record Period were Independent Third Parties (not being our connected persons under the Listing Rules) as of the Latest Practicable Date. Among our distributors during the Track Record Period, Customer C is controlled by our current employee and uses our brand name to facilitate business operations. We ceased product sales to this distributor in June 2026. Another Uzbekistan-based distributor also uses our brand name for operational convenience. The revenue generated from the two distributors contributed to less than 4.0% in aggregate of our total revenue for each year of the Track Record Period.

Distributor management

Leveraging our unified data management platform, we conduct sales data analysis for distributors and administer routine performance assessments and dynamic evaluation management. Where anomalies such as declining distributor sales performance are identified, we issue timely notifications to the relevant distributors and conduct cause analysis. We also perform periodic reviews of distributor creditworthiness and credit term information to deliver early warnings of irregularities and identify operational risks in a timely manner.

For distributors with expiring contracts, we conduct follow-up engagements based on their historical sales performance, escalate relevant matters to senior management for review meetings, and carry out a comprehensive assessment to determine whether to renew the contract. We generally do not renew contracts with the under-performing distributors upon contract expiry.

Low channel stuffing risk

We believe that our sales correspond to actual end-customer demand and therefore our products are at low risk of channel stuffing in our distribution network, because: (i) we conduct regular communications with distributors to track their inventory levels and anticipate order volumes; (ii) we generally require full payment within credit terms, with some requiring prepayment, and do not impose minimum sales targets. We believe such arrangements encourage distributors to place orders in accordance with real sales projections; and (iii) we generally do not allow returns of products sold to distributors except for quality issues. We keep track of distributors' sales performance to continuously fine-tune our sales strategies and mitigate the risk of excess inventory build-up at distributors.

Anti-cannibalization measures

We normally examine from an overall development perspective to manage our distributors. Any sales carried out by distributors outside their designated geographic areas without our prior authorization, will be deemed as cannibalization. We manage potential cannibalization among our distributors primarily through the following measures: (i) we provide distinct SKUs to different distributors, with differentiated brands and packaging; (ii) we normally designate distribution areas and the types of products to be distributed for our distributors.

Marketing Strategy

Driven by sustainable market expansion targets, we adopt a multi-dimensional marketing strategy covering customer development, brand promotion and industrial linkage. We secure state-owned enterprise customers through model innovation, expand customer base through omni-channel marketing initiatives, and integrate industry resources through industrial collaboration, to strengthen our leading market position and establish a benchmark for independent commercial vehicle service chains. We have implemented the following key measures:

- *Model innovation:* We have established joint ventures with local state-owned enterprises. The public-private joint venture model combines the strengths of state-owned enterprises and the agility of private enterprises.

- *Omni-channel marketing:* We participated in national and regional auto parts exhibitions and held dedicated business negotiation events for state-owned enterprise customers. We also launched short-video content and live-streaming campaigns on online platforms such as Douyin to boost brand exposure, showcase our products and expand customer reach. We also operate our proprietary online portal including the "Ruilibao" to strengthen customer engagement and support customer development initiatives.

- *Industrial chain collaboration:* We have established collaborative mechanisms with core suppliers and end customers to achieve precise matching of supply and demand.

- *Collaborative promotion:* We collaborated with our overseas customers to organize and participate in local promotional events to raise awareness of our products.

CUSTOMERS AND PRICING POLICY

Our Customers

As of the Latest Practicable Date, we served a total of over 222,000 customers. Our domestic customers include auto repair shops, auto parts shops, joint ventures, fleet operators, OEMs, distributors and public transport enterprises. We have developed a joint venture model with state-owned public transport enterprises to effectively tap into regional public transport markets, and such joint ventures have emerged as our growth driver during the Track Record Period. We integrate our operational expertise, supply chain capabilities and digital technology strengths with our state-owned public transport enterprise partners' deep-rooted regional resources and customer reach. Under our joint venture partnership, state-owned public transport enterprises exhibit, stable demand and high business continuity, which effectively underpins our recurring revenue and long-term business stability. The table below sets forth our revenue by domestic customer type both in absolute amount and as percentages of our domestic revenue during the Track Record Period.

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Auto repair shops	554,460	32.9	517,149	29.3	427,173	26.3
Auto parts shops	543,361	32.3	515,575	29.2	442,875	27.2
Joint ventures	14,190	0.8	107,052	6.1	242,196	14.9
Fleet operators	192,592	11.4	244,555	13.9	222,440	13.7
OEMs	219,272	13.0	213,123	12.1	184,876	11.4
Distributors	143,796	8.5	148,815	8.4	54,033	3.3
Public transport enterprises	16,349	1.0	17,370	1.0	53,525	3.3
Total	**1,684,020**	**100.0**	**1,763,639**	**100.0**	**1,627,118**	**100.0**

Our overseas customer base includes distributors and OEMs. For the years ended December 31, 2023, 2024 and 2025, revenue generated from overseas distributors amounted to RMB953.7 million, RMB910.1 million and RMB847.4 million, respectively, accounting for 96.1%, 95.6% and 96.6%, respectively, of our total overseas revenue for the same years.

Agreement with customers

We typically enter into framework agreements with our customers, the salient terms of which for domestic customers are set forth below.

Key Term	**Description**
Duration	Generally one to two years and renewable upon expiry.
Payment method	Primarily settled via bank transfers and banker's acceptance.
Credit term	Stated-owned customers and large logistics fleets are generally entitled to tiered credit terms of 30 to 90 days, while small repair shops and small fleets are generally required to settle by payment on delivery or upon receipt of invoice. For joint ventures established with public transport enterprises, we typically offer them credit terms ranging from 30 to 180 days.
Product returns and warranty	Core products (including chassis parts, engine parts and gearbox parts) are warranted for a period of three to 24 months, while universal parts are warranted for three to six months. The warranty period commences on the date of product delivery and acceptance. Free replacement or repair will be provided for damages not attributable to mishandling within the warranty period.

Our overseas customers are primarily overseas distributors. Please refer to the sub-section headed "— Sales and Marketing — Distribution Partnerships" in this document for more details of the agreements with overseas distributors.

Major customers

During the Track Record Period, revenue from the five largest customers in each year was RMB458.9 million, RMB397.1 million and RMB314.7 million, respectively, accounting for 17.1%, 14.7% and 12.5% of our total revenue, respectively. Revenue from the largest customer in each year during the Track Record Period was RMB128.4 million, RMB115.5 million and RMB103.8 million, respectively, accounting for 4.8%, 4.3% and 4.1% of our total revenue, respectively.

During the Track Record Period, we sold a wide range of auto parts products to our major customers. The following table sets forth the details of the five largest customers in each year during the Track Record Period.

For the year ended December 31, 2023

Rank	Customer	Customer's background	Year of commencement of business relationship with us	Payment method	Credit terms	Revenue derived from the customer	Percentage of total revenue
						RMB'000	*%*
1. . .	Customer A[(1)]	A Shanghai-based company primarily engaged in the wholesale of auto parts	2023	Bank transfer	Within 60 days	128,434	4.8
2. . .	Customer B[(2)]	A Russian company primarily engaged in the distribution of auto parts	2020	Bank transfer	120 days against bill of lading date	115,712	4.3
3. . .	Customer C[(3)]	A US company primarily engaged in the import and distribution of automotive brake systems and commercial vehicle components	2020	Bank transfer	150 days against bill of lading date	102,251	3.8
4. . .	Customer D[(4)]	A Hong Kong-based company primarily engaged in the trading of auto parts	2020	Bank transfer	90 days against bill of lading date	61,636	2.3
5. . .	Customer E[(5)]	A UAE company primarily engaged in the supply of auto parts	2020	Bank transfer	120 days against bill of lading date	50,847	1.9

For the year ended December 31, 2024

Rank	Customer	Customer's background	Year of commencement of business relationship with us	Payment method	Credit terms	Revenue derived from the customer	Percentage of total revenue
						RMB'000	*%*
1. . .	Customer A	A Shanghai-based company primarily engaged in the wholesale of auto parts	2023	Bank transfer	Within 60 days	115,475	4.3
2. . .	Customer B	A Russian company primarily engaged in the distribution of auto parts	2020	Bank transfer	120 days against bill of lading date	103,189	3.8
3. . .	Customer C	A US company primarily engaged in the import and distribution of automotive brake systems and commercial vehicle components	2020	Bank transfer	150 days against bill of lading date	86,882	3.2
4. . .	Customer E	A UAE company primarily engaged in the supply of auto parts	2020	Bank transfer	120 days against bill of lading date	48,612	1.8
5. . .	Customer D	A Hong Kong-based company primarily engaged in the trading of auto parts	2020	Bank transfer	90 days against bill of lading date	42,961	1.6

For the year ended December 31, 2025

Rank	Customer	Customer's background	Year of commencement of business relationship with us	Payment method	Credit terms	Revenue derived from the customer	Percentage of total revenue
						RMB'000	*%*
1. . .	Customer B	A Russian company primarily engaged in the distribution of auto parts	2020	Bank transfer	120 days against bill of lading date	103,826	4.1
2. . .	Customer C	A US company primarily engaged in the import and distribution of automotive brake systems and commercial vehicle components	2020	Bank transfer	150 days against bill of lading date	83,393	3.3
3. . .	Customer E	A UAE company primarily engaged in the supply of auto parts	2020	Bank transfer	120 days against bill of lading date	50,031	2.0
4. . .	Customer F(6)	A Shandong-based company primarily engaged in the trading of auto parts	2024	Bank transfer	90 days	40,414	1.6
5. . .	Customer D	A Hong Kong-based company primarily engaged in the trading of auto parts	2020	Bank transfer	90 days against bill of lading date	36,990	1.5

Notes:

(1) Customer A is a private company incorporated in the PRC in 2019 and has a registered capital of RMB1.4 million.

(2) Customer B is a private company incorporated in Russia in 2015.

(3) Customer C is a private company incorporated in the U.S. in 2004.

(4) Customer D is a private company incorporated in Hong Kong in 2012.

(5) Customer E is a private company incorporated in UAE in 2001.

(6) Customer F is a private company incorporated in the PRC in 2024 and has a registered capital of RMB3.0 million.

Our Directors confirm that as at the Latest Practicable Date, all of our five largest customers for each of the years during the Track Record Period were Independent Third Parties (not being our connected persons under the Listing Rules). None of our Directors and their respective close associates or any of the Shareholders, who to the best knowledge of our Directors own more than 5% of the issued Shares immediately after the completion of the [**REDACTED**], has any interests in any of our five largest customers for each of the years during the Track Record Period.

Customer Support

We had no material customer complaints during the Track Record Period. Our domestic customers may submit claims via our 7×24-hour hotline or operating stores, and we will coordinate with suppliers to respond promptly. Our overseas after-sales services are provided by local distributors. We conduct on-side visits to local distributors from time to time, during which we may help resolve and technical issues encountered. Local distributors may reach out to us via email when problems arise, and we provide troubleshooting support via video calls. We have not received any material complaints regarding product and service quality during the Track Record Period.

Third-party Payment Arrangements

Background of Third-party Payment Arrangements

During the Track Record Period, certain customers (the "**Relevant Customers**") settled payments with us through accounts belonging to certain third parties (the "**Third-party Payors**") designated by such customers (the "**Third-party Payment Arrangements**"). The Third-party Arrangements occurred solely in domestic transactions during the Track Record Period, where the Relevant Customers were typically auto repair shops and auto parts shops, and the designated Third-party Payors were typically the legal representatives, shareholders, or employees of the Relevant Customers.

For the years ended December 31, 2023, 2024 and 2025, the aggregate amounts settled through the Third-party Payment Arrangements were RMB415.5 million, RMB412.4 million and RMB280.0 million, respectively, representing approximately 15.1%, 14.0% and 10.3% of the total revenue for the same years, respectively. The relevant amount settled by each Relevant Customer through Third-party Payment Arrangements did not individually make a material contribution to our revenue during the Track Record Period.

According to CIC, it is not uncommon in China's commercial vehicle service market to settle payments through third-party payors. The Third-party Payment Arrangements used by the Relevant Customers arise from practical and commercially sound reasons and facilitate operations without altering the buyer's identity or our delivery practices:

- *Insufficient liquidity in certain buyers' bank accounts.* Some customers experience temporary cash flow shortages in their corporate bank accounts may require their legal representatives or shareholders to make advance payments on behalf of the enterprise.

- *Payment convenience and settlement efficiency.* Some customers designated their employees with readily available funds to make payments on their behalf, which ensured timely settlement.

During the Track Record Period, to the best of our knowledge, such relevant payments were based on valid contractual relationships. The Third-party Payment Arrangements were solely at the Relevant Customers' request for settlement convenience, and we did not provide any incentive discount, commission, rebate or other benefits to any Relevant Customer or Third-party Payor in connection with such arrangements. Furthermore, the pricing and payment terms offered to Relevant Customers were consistent with those provided to customers who did not use the Third-party Arrangements. To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, we have not been subject to any investigations, enquiries, penalties, or surcharges arising from our Third-party Payment Arrangements. In addition, during the Track Record Period and up to the Latest Practicable Date, we have not received any refund requests, nor have we been involved in any actual or pending disputes, disagreements or material claims in respect of our Third-party Payment Arrangements.

As advised by our PRC Legal Adviser, in light of the above, the Third-party Payment Arrangements are not in breach of mandatory requirements of current applicable laws and regulations in China in material aspects.

Enhanced internal control measures of Third-party Payment Arrangements

To safeguard our interests from potential risks associated with the Third-party Payment Arrangements, we have implemented enhanced internal control measures, including, among others: (i) we generally only accept payments from the contracting parties with whom we have entered into valid agreements; (ii) we have established stringent approval procedures to assess the commercial rationale of each third-party payment arrangement, requiring tripartite agreements or, for payments made through banks, letters of authorization in lieu thereof; and (iii) we have communicated our anti-sanctions, anti-corruption, and anti-money laundering policies regarding Third-party Payment Arrangements to our customers, and we have also required our sales employees to comply with these policies.

Our Directors are of the view that the foregoing internal control measures are sufficient and can substantially mitigate the risk that we face. In light of the above, we believe that our Third-party Payment Arrangements will not have a material adverse effect on our business operations.

Pricing Policy

We adopt a pricing strategy combining cost-plus pricing and market-based pricing. The pricing is determined with reference to procurement costs, market supply and demand conditions, and industry competition, while balancing profitability and market competitiveness.

We apply differentiated pricing policies across our product categories and customer groups. In terms of products, core components with higher technical content carry a higher markup ratio, while universal parts are priced with a lower markup ratio to achieve higher sales volume. From the customer perspective, large state-owned enterprise customers and long-term cooperative customers are generally offered volume-based discounted prices, while standard retail prices apply to small-scale customers. To expand coverage and deepen penetration into regional public transport markets, we determine pricing for our joint ventures with public transport enterprises by taking multiple factors into consideration, including economic returns from the share of profits of joint ventures. Our product prices are adjusted in line with market conditions, taking into account the respective dynamics of the domestic market and overseas local markets.

PROCUREMENT AND SUPPLIERS

Our Procurement Model

During the Track Record Period, we mainly sourced and procured auto parts from domestic suppliers. We obtain ready-made standard finished products directly from upstream suppliers, and also arrange tailored product orders with manufacturers to meet varied customer demands. We adopt a procurement model integrating centralized procurement and regional localized procurement, with full-process oversight supported by our digital procurement platform.

- *Centralized procurement:* Core auto parts are procured centrally by our supply chain collaboration team, which leverages economies of scale to lower procurement costs and ensure stable supply.

- *Localized procurement:* Universal parts and parts tailored to local demands are procured by our provincial warehouses according to local market demand, which enhances procurement flexibility.

- *Digital procurement process:* Generally, procurement activities are conducted via our industrial internet platform. The entire procurement process is recorded electronically, ensuring transparent procurement and precise matching of supply and demand.

Our Suppliers

We have established long-term collaborative relationships with more than 1,000 suppliers, which helps ensure a stable, high-quality supply and strengthens our market positioning. In addition, we adopt a diversified procurement approach for our core auto parts, to sustain consistent, stable supply chains.

We select suppliers based on a number of criteria, including relevant qualifications, reputation, track record, pricing, product quality, and timeliness and accuracy of delivery. New suppliers will undergo our qualification processes, which require them to provide essential documents such as quality management system certification, product technical specifications, and test reports. We also conduct on-site inspections on core suppliers from time to time. In addition, we have established a supplier blacklist, and we will terminate cooperation with any non-qualification suppliers.

We closely monitor our supply chain to maintain flexibility in the event of potential supply interruptions, and we continually reevaluate our supplier relationships to ensure that we obtain competitive pricing for high-quality products.

Agreement with suppliers

We typically enter into framework supply agreements with suppliers for auto parts, the salient terms of which are set forth below.

Key Term	Description
Duration	Typically one to three years
Supply Guarantee	Suppliers shall ensure the stable supply of auto parts as per our requirements.
Payment Terms	Major suppliers generally provide a credit term of 30 to 90 days based on the supply volume, while certain suppliers adopt payment on invoice receipt or month-end settlement after delivery.
Delivery Terms	Suppliers are generally responsible for delivery.
Product Returns and Warranty	Suppliers generally provide warranty services covering repair, replacement and refund returns for delivered products, with a 6-12 month warranty term commencing upon installation on customers' vehicles.
Prices	Prices are generally adjusted in line with market conditions, and suppliers provide volume-based procurement discounts.
Termination	If either party breaches the agreement and refuses rectification after notice, the non-breaching party may terminate the agreement unilaterally.

In addition, we have secured exclusive distributorship rights with several major suppliers, including, multiple auto parts suppliers controlled by Ruili Company.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material breach of contractual arrangement with our suppliers that materially and adversely affected our operations and financial conditions.

Major suppliers

During the Track Record Period, our major suppliers primarily consisted of auto parts manufacturers, trading suppliers, commercial service providers, and research and experimental development institutions.

During the Track Record Period, our purchase amounts from the five largest suppliers in each year were RMB1,972.9 million, RMB2,100.8 million and RMB1,849.8 million, respectively, accounting for 77.7%, 76.5% and 74.2% of our total purchase amounts, respectively. Purchase amounts from our largest supplier in each year during the Track Record Period were RMB1,650.0 million, RMB1,772.0 million and RMB1,597.4 million, respectively, accounting for 65.0%, 64.6% and 64.0% of our total purchase amounts, respectively.

The following table sets forth the details of the five largest suppliers in each year during the Track Record Period.

For the year ended December 31, 2023

Rank	Supplier	Supplier's background	Major types of products/ services purchased	Year of commencement of business relationship with us	Payment method	Credit terms	Purchase amounts paid to the suppliers	Percentage of total purchase amounts
							RMB'000	*%*
1. . .	Ruili Auto Parts Supplier Group[(1)]	A Zhejiang based company and several of its Zhejiang, Hebei, Shanghai, and Hubei-based subsidiaries primarily engaged in the R&D, manufacturing and sales of products as well as the provision of services	Auto parts	2019	Bank transfer or bills	Mainly due 60 days from 1st of next month	1,650,031	65.0
2. . .	Supplier A[(2)]	A Shandong-based company primarily engaged in marketing planning and product sales	Auto parts	2021	Bank transfer or bills	Month-end of receipt	102,060	4.0
3. . .	Supplier Group B[(3)]	Zhejiang and Shandong-based companies primarily engaged in the provision of commercial services	Software development services	2022	Bank transfer or bills	Month-end of receipt	100,845	4.0
4. . .	Supplier C[(4)]	A Guangdong-based company primarily engaged in the manufacturing of electrical machinery and apparatus	Automotive batteries	2021	Bills	Due by 26th of receipt month	79,094	3.1
5. . .	Supplier Group D[(5)]	A Guangdong-based company and its Guangdong subsidiary, both primarily engaged in research and experimental development	Automotive chemicals & maintenance products	2021	Bills or bank transfer	Due by the 30th of reconciliation month	40,865	1.6

For the year ended December 31, 2024

Rank	Supplier	Supplier's background	Major types of products/ services purchased	Year of commencement of business relationship with us	Payment method	Credit terms	Purchase amounts paid to the suppliers	Percentage of total purchase amounts
							RMB'000	*%*
1. . .	Ruili Auto Parts Supplier Group	A Zhejiang based company and several of its Zhejiang, Hebei, Shanghai, and Hubei-based subsidiaries primarily engaged in the R&D, manufacturing and sales of products as well as the provision of services	Auto parts	2019	Bank transfer or bills	Mainly due 60 days from 1st of next month	1,771,963	64.6
2. . .	Supplier C	A Guangdong-based company primarily engaged in the manufacturing of electrical machinery and apparatus	Automotive batteries	2021	Bills	Due by 26th of receipt month	103,477	3.8
3. . .	Supplier A	A Shandong-based company primarily engaged marketing planning and product sales	Auto parts	2021	Bank transfer or bills	Month-end of receipt	91,247	3.3
4. . .	Supplier Group B	Zhejiang and Shandong-based companies primarily engaged in the provision of commercial services	Software development services	2022	Bank transfer or bills	Month-end of receipt	89,149	3.2
5. . .	Supplier Group D	A Guangdong-based company and its Guangdong subsidiary, both primarily engaged in research and experimental development	Automotive chemicals & maintenance products	2021	Bills or bank transfer	Due by the 30th of reconciliation month	44,949	1.6

For the year ended December 31, 2025

Rank	Supplier	Supplier's background	Major types of products/ services purchased	Year of commencement of business relationship with us	Payment method	Credit terms	Purchase amounts paid to the suppliers	Percentage of total purchase amounts
							RMB'000	*%*
1. . .	Ruili Auto Parts Supplier Group	A Zhejiang based company and several of its Zhejiang, Hebei, Shanghai, and Hubei-based subsidiaries primarily engaged in the R&D, manufacturing and sales of products as well as the provision of services	Auto parts	2019	Bank transfer or bills	Mainly due 60 days from 1st of next month	1,597,382	64.0
2. . .	Supplier C	A Guangdong-based company primarily engaged in the manufacturing of electrical machinery and apparatus	Automotive batteries	2021	Bills	Due by 26th of receipt month	86,006	3.4
3. . .	Supplier A	A Shandong-based company primarily engaged in marketing planning and product sales	Auto parts	2021	Bank transfer or bills	Month-end of receipt	83,644	3.4
4. . .	Supplier Group B	Zhejiang and Shandong-based companies primarily engaged in the provision of commercial services	Software development services	2022	Bank transfer or bills	Month-end of receipt	44,629	1.8
5. . .	Supplier Group D	A Guangdong-based company and its Guangdong subsidiary, both primarily engaged in research and experimental development	Automotive chemicals & maintenance products	2021	Bills or bank transfer	Due by the 30th of reconciliation month	38,112	1.5

Notes:

(1) Ruili Auto Parts Supplier Group comprises: (i) Ruili Group Co., Ltd., a private company incorporated in the PRC in 1988 with registered capital of RMB251.5 million; (ii) Ruili Group Ruian Auto Parts Co., Ltd., a Hong Kong-invested private company incorporated in the PRC in 2004 with registered capital of approximately USD53.8 million; (iii) Hangzhou Hangcheng Friction Materials Co., Ltd., a private company incorporated in the PRC in 1982 with registered capital of RMB19.0 million; (iv) Ruili Meilian Brake Technology (Langfang) Co., Ltd., a private company incorporated in the PRC in 2014 with registered capital of RMB295.2 million; (v) Zhejiang Ruili Air Compression Equipment Co., Ltd., a private company incorporated in the PRC in 2011 with registered capital of RMB70.0 million; and (vi) Shanghai Aijia Electronic Technology Co., Ltd., a private company incorporated in the PRC in 2014 with registered capital of RMB4.0 million.

(2) Supplier A is a private company incorporated in the PRC in 2014 and has a registered capital of RMB5.0 million.

(3) Supplier Group B comprises a private company incorporated in the PRC in 2007 with registered capital of RMB10.0 billion, a private company incorporated in the PRC in 2016 with registered capital of RMB400.0 million and a private company incorporated in the PRC in 2021 with registered capital of RMB20.0 million.

(4) Supplier C is a private company incorporated in the PRC in 2009 with registered capital of RMB108.0 million.

(5) Supplier Group D comprises a private company incorporated in the PRC in 2006 with registered capital of RMB51.0 million and a private company incorporated in the PRC in 2017 with registered capital of RMB12.0 million.

Ruili Auto Parts Supplier Group was our largest supplier, comprising several entities controlled by Ruili Company who is our connected person, during each year in the Track Record Period. Our procurement from Ruili Auto Parts Supplier Group during the Track Record Period was conducted in the ordinary course of business. We have secured exclusive distributorship rights with multiple entities of Ruili Auto Parts Supplier Group, representing a mutually cooperative relationship rather than one-sided reliance from our side. Notwithstanding the stable partnership, we maintain a diversified supplier base with ample alternative suppliers available for comparable auto parts. Our transactions with Ruili Auto Parts Supplier Group will become continuing connected transactions upon the [**REDACTED**]. Please refer to "Connected Transactions — Non-exempt Continuing Connected Transactions" for more details of these transactions and the reasons for entering into them.

As of the Latest Practicable Date, except for Ruili Auto Parts Supplier Group, none of our Directors and their respective close associates or any of the Shareholders, who to the best knowledge of our Directors own more than 5% of the issued Shares immediately after the completion of the [**REDACTED**], held any other interests in any of our five largest suppliers for each of the years during the Track Record Period.

During the Track Record Period, none of our major suppliers were our customers, and vice versa.

INVENTORY, WAREHOUSING AND LOGISTICS MANAGEMENT

Inventory Management

We have implemented a comprehensive inventory management system. Leveraging nearly 1,000 million industrial data records accumulated on our digital operating systems as of the Latest Practicable Date, we are able to forecast market demand trends for auto parts. Our WMS system automatically triggers replenishment instructions based on inventory levels and market demand to enable dynamic inventory management.

We apply tiered inventory control to core and universal parts, with higher safety stock levels maintained for core parts. Each warehouse center is staffed with dedicated inventory management personnel responsible for inventory monitoring and loss control.

In the event of stockouts, an emergency replenishment mechanism is activated, whereby inventory is urgently redeployed from provincial warehouses to the affected stores with a turnaround time of no more than 12 hours. Professional staff arrange suitable alternatives for customers during stockouts to ensure uninterrupted usage.

Warehousing Management

Our intelligent WMS, which enables barcode management, precise bin location positioning, batch and shelf-life management, wave picking and intelligent replenishment, is also integrated with our digital operating systems, enabling real-time inventory monitoring and precise supply and demand matching.

The entire is digitally operated to support multi-batch, small-lot and fast-turnaround order fulfillment. Key central warehouses are capable of round-the-clock order picking and dispatch. The order picking efficiency at key warehouses achieves a picking time of no more than ten minutes per order. The overall accuracy rate of inventory counts stands above 99.9%.

Domestically, we maintain a three-tier warehousing network comprising one headquarter warehouse, 27 provincial warehouses and 213 storefront warehouses, covering 29 provincial-level administrative regions across China. The provincial warehouses are capable of stocking auto parts sufficient to meet regional demand and support round-the-clock order dispatch, while the storefront warehouses cater to immediate needs of local end customers. All warehousing facilities are fully self-operated without outsourcing.

We have no overseas warehouse facilities, and we generally deliver our products to the overseas customers on an FOB basis during the Track Record Period.

Logistics Management

Domestically, we adopt a hybrid logistics model combining self-operated delivery and third-party logistics. During the Track Record Period, our self-operated delivery covered core areas of 30 provincial-level administrative regions in China. We can promptly respond to customers' urgent delivery needs by providing on-site delivery as fast as 30 minutes and no later than 48 hours during the Track Record Period. Third-party logistics primarily serve remote counties and other areas less accessible by self-operated fleets, to extend our logistics coverage.

In addition, we generally adopt FOB trading terms for overseas sales and are not responsible for arranging overseas logistics services during the Track Record Period.

INFORMATION MANAGEMENT SYSTEMS AND DATA PROTECTION

Our "One Core, Two Wings (一主兩翼)" Digital Operating System

Our digital framework adopts a "One Core, Two Wings" structure supported by a data middle platform to integrate cross-channel data. The "One Core" refers to our SAP ERP system, which acts as the unified business and financial data foundation supporting standardized process across the Group. The "Two Wings" comprises our SRM supplier platform "Chanxiaobao (產銷寶)" and CRM customer platform "Ruilibao (瑞立寶)", which streamline procurement coordination and enable omni-channel customer engagement and precision marketing, respectively.

We have established a comprehensive digital operating system to support our auto parts chain operation and public transport joint venture network. Our core digital operating systems primarily consist of the following:

- *SAP ERP Core System:* As our group-wide core management system, SAP ERP integrates modules including finance, supply chain, sales and warehousing to achieve integrated business and financial management. The system covers all our operating stores and more than 50 joint ventures with public transport enterprises, supporting complex internal transactions such as inter-company inventory transfers.

- *Store Management System (CX):* The PC-based version supports the full sales process for all operating stores nationwide, including order placement, payment and delivery, and is integrated with SAP to standardize processes and ensure data compliance. We also operate the "New SORL Sales Assistant" WeChat mini-program to allow store sales personnel to create and track orders on the go, with average daily visits exceeding 2,000.

- *Supply Chain and Warehousing Management Systems*

  ■ *SRM System:* A supplier collaboration platform that allows suppliers to obtain purchase orders, perform outbound operations, check consignment inventory and reconcile accounts, thereby improving procurement efficiency.

  ■ *WMS:* A warehousing management system deployed across our headquarter warehouse, provincial warehouses and storefront warehouses, supporting batch management and FIFO (First-in, First-out) policies. The headquarter warehouse applies AGV (Automated Guided Vehicle) technology to optimize warehousing efficiency.

  ■ *TMS:* A transportation management system that deeply integrates order management, transportation tracking, anomaly early warning and data analysis, realizing full-process visual and transparent control from order issuance to goods receipt.

- *Product Catalogue System:* Our CRM "Ruilibao" APP enables customers to access our product catalogue and facilitates our marketing promotion.

- *Other Supporting Systems:* We also maintain a number of supporting management systems, including an expense control and business travel system, a finance management system, an electronic archive and signature system, and a tax administration system.

These digital systems operate in an interconnected and coordinated manner, realizing online business processes, precise inventory control and secure fund management across the Group.

Data Protection and Cybersecurity

We are committed to protecting personal information. We have formulated internal data protection policies and management measures governing the collection, storage, processing, usage, transfer, disclosure, retention and destruction of personal data, in accordance with applicable data protection and cybersecurity laws and regulations.

To safeguard the confidentiality, integrity and availability of our data, we have formulated a series of data protection and cybersecurity policies, including Administrative Measures for Personal Information Management (《個人信息管理制度》), Administrative Measures for Network and Communication Security Management (《網絡及通信安全管理制度》), Administrative Measures for Information Security Incident Management (《信息安全事件管理制度》), Administrative Measures for IT Service Management (《IT服務管理制度》), Administrative Measures for Access Control Management (《訪問控制管理制度》), and Administrative Measures for Cybersecurity Emergency Response Plan (《網絡安全應急預案管理制度》). We endeavor to comply with applicable data protection and cybersecurity laws and regulations, and take reasonable measures to prevent the illegal or unauthorized disclosure, dissemination or sale of users' personal information.

In the course of daily operations, we collect and process personal data of our employees, contact persons of our business customers, and contact persons of our business suppliers, mainly including names, contact details, transaction records and business operation data necessary for service provision and internal management. We collect such personal data in very limited and necessary circumstances. We store the obtained data on our encrypted servers within the territory of Chinese Mainland. We are not engaged in any cross-border transfer of personal information from Chinese Mainland to overseas, including transmitting personal information collected during domestic business operations to overseas parties, nor permitting overseas individuals or organizations to access personal information stored within Chinese Mainland.

We have not experienced any material personal data leakage incidents that may have a material adverse effect on our business operations or financial condition during the Track Record Period. We have not been subject to any litigation, arbitration or material administrative penalties in relation to data protection during the Track Record Period.

RESEARCH AND DEVELOPMENT

We are committed to continuous investment in research and development to strengthen our technology innovation and business digitalization. Our research and development expenses primarily consist of employee benefit expenses of staff engaged in the development and maintenance of our digital operation systems. Our research and development expenditures are recognized as expenses in the period such expenses were incurred. During the Track Record Period, we incurred research and development expenses of approximately RMB1.7 million, RMB2.1 million and RMB1.9 million for the years ended December 31, 2023, 2024 and 2025, respectively.

Our research and development team is led by experts with distinguished competency in their respective fields, including senior technical experts with combined industry experience in big data architecture, enterprise-level system development and digital solution delivery, and consists of employees with previous experience in the big data, enterprise software development, business intelligence and government-enterprise digital informatization industries, including various renowned technology companies in China's digital technology and enterprise software sectors. Our technical personnel develop and optimize our digital operating systems based on the purchased SAP ERP system. Such systems include our auto parts matching big data platform, warehouse management system, transportation management system, order management system, store management system, and technician support and management system. We are committed to continuously investing in research and development to further strengthen our technology capabilities and enhance our overall operational efficiencies.

INTELLECTUAL PROPERTY

We regard our trademarks, domain names, technological know-how, and other intellectual properties as critical to our success and competitiveness. We protect our intellectual property rights through a combination of trademark law, trade secret protection, confidentiality agreements with employees, as well as contractual restrictions and confidentiality provisions governing intellectual property in our agreements with third parties. We also regularly monitor any infringement or misappropriation of our intellectual property rights. As of the Latest Practicable Date, we maintained (i) five trademarks; (ii) 14 granted trademarks; (iii) five computer software copyrights; and (iv) one domain name.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material intellectual property infringement claims by third parties or suffered any material intellectual infringement by third parties.

SEASONALITY

The commercial vehicle service market is subject to a certain level of seasonality. Vehicle maintenance and servicing demands peak from March to April and from September to October each year, driven by regular seasonal fleet upkeep, whereby fleet operators conduct comprehensive inspections, parts replacement and routine maintenance amid seasonal transitions. In off-peak periods, market demand for maintenance services is relatively subdued, resulting in periodic fluctuations in the overall operating performance of the commercial vehicle service market.

EMPLOYEES

As of December 31, 2025, we had a total of 1,422 full-time employees. The table below sets forth a breakdown of our employees by department or function as of the same date:

Department/Function	Number of Employees	Percentage %
General Administration	89	6.2
Research and Development	27	1.9
Sales and Marketing	190	13.4
Operations and Support	79	5.6
Warehousing and Supply Chain	262	18.4
Store Management and Services	775	54.5
Total	**1,422**	**100.0**

As of December 31, 2025, substantially all of our employees are based in Chinese Mainland.

We place strong emphasis on talent acquisition and employee development. Our recruitment channels include online platforms, internal referrals and third-party headhunting services. All candidates undergo multi-stage screening, including video or in-person interviews, technical assessments and background check, to ensure alignment with our job expectations and corporate values. We have adopted various internal policies, including the Human Resources Management Policy (《人力資源管理制度》), the Personnel Management Procedures (《人事管理流程》), the Management Personnel Administration Measures (《幹部管理制度》) and the Measures for the Selection and Appointment of Store Managers (《店長選拔任用規定》), to regulate the full-cycle management of personnel matters.

To support employee onboarding and integration, enhance our employee's professional competence, and ensure that our employees' competence matches the requirements of their respective positions, we offer systematic employee training and mentorship programs, including pre-job training, on-the-job training and specialized training. We also strive to maintain a supportive and balanced working environment. In addition to statutory benefits such as pension and medical insurance, we offer annual leave, festival allowances, high-temperature subsidies for front-line workers, communication allowances, and relocation support such as free dormitories or rental subsidies for non-local and young staff.

Our employees are represented by our labor union established pursuant to the applicable PRC labor laws. We believe that we maintain a good working relationship with our employees, and we have not experienced any material labor disputes during the Track Record Period.

During the Track Record Period, we did not make adequate contributions to the social insurance and housing provident fund with respect to certain of our employees. As a result, we may be required to make additional contributions to the social insurance fund and/or housing provident fund and pay late payments and fines under PRC laws and regulations.

As advised by our PRC Legal Advisers, on the condition that there are no significant changes to the current laws, regulations, or the enforcement and supervisory requirements of the relevant local authorities, and no collective employee complaints, reports, or related litigation or arbitration arise, the risk that we would be proactively required by the competent authorities to make lump-sum contributions for the historically unpaid social insurance and housing provident fund contributions and thereby be subject to material administrative penalties is remote.

Nonetheless, we have taken the following rectification measures:

- We have been working to enhance our human resources management policies, which will explicitly require social insurance and housing provident fund contributions to be made in accordance with applicable local requirements;

- We are in the process of communicating with our employees with a view to seeking their understanding and cooperation in complying with the applicable payment base, which also requires additional contributions from our employees;

- We will keep abreast of latest developments in PRC laws and regulations in relation to social insurance and housing provident funds; and

- We will consult our PRC legal counsel on a regular basis for advice on relevant PRC laws and regulations to keep us abreast of relevant regulatory developments.

In addition, we undertake to make timely payments for the deficient amount and overdue charges, as soon as requested by the competent governmental authorities.

PROPERTIES

As of the Latest Practicable Date, we did not own any property but operated our business through leased properties in China.

As of the Latest Practicable Date, we leased 15 properties which were material to our operations in China with an aggregate GFA of approximately 76,486.2 sq.m., mainly used as warehouses, office premises , sales operation, and employee housing in multiple provinces and cities across China. As of the Latest Practicable Date, we had no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by Rule 5.01A of the Listing Rules to include any valuation report in this document. Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

As of the Latest Practicable Date, among the aforementioned 15 leased properties, the lessors of four leased properties, which were mainly used as our warehouses, had not provided title certificates, documents evidencing the nature of the land on which such buildings are situated, and/or documentary proof confirming the lessors' right to lease or sublease the properties. Any dispute or claim arising from the title of leased properties may cause us to relocate. We will continue to liaise with the relevant lessors to provide necessary certificates and documents. As advised by our PRC Legal Advisers, given that the relevant leased properties are mainly used for warehousing, which can be easily relocated and are highly substitutable, it will not materially adversely affect our operations.

As of the Latest Practicable Date, 13 of the aforementioned 15 leased properties had not been registered with the relevant PRC government authorities. We may be subject to a fine of RMB1,000 to RMB10,000 for each unregistered lease agreement if the relevant PRC government authorities require us to rectify and we fail to do so within the prescribed time period according to the relevant PRC laws and regulations. As of the Latest Practicable Date, we had not received any administrative penalties for failure to complete lease registration. Our PRC Legal Advisers have advised that the lack of registration does not invalidate the relevant lease agreements under PRC law, nor does it prevent us from the normal use of such lease properties.

Based on above, our Directors are of the view that the abovementioned incidents will not have a material adverse impact on our continuous operation, financial condition and results of operations. Please refer to "Risk Factors — Risks Relating to Our Business and Industry — Risks associated with our certain leased properties in the PRC may adversely affect our business, financial condition and results of operations" in this document for more details.

INSURANCE

During the Track Record Period, we maintain a range of insurance policies to cover key operational and business risks arising from our asset management, employee safety, transportation and other aspects of our operations. These include, among others, vehicle insurance, employee insurance, product liability insurance, transportation insurance and export credit insurance.

As of the Latest Practicable Date, we had not experienced any material insurance claims, significant lapses in coverage or disputes with our insurance providers. We consider our insurance coverage to be adequate and consistent with the customary industry practices in the jurisdictions in which we operate. However, our insurance coverage may not always be sufficient to cover all potential losses, liabilities or damages, including those arising from unexpected or uninsured risks. Please refer to "Risk Factors — Risks Relating to Our Business and Industry — Insurance coverage for our business, products and properties may not be sufficient to protect us from potential losses" in this document for more details.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We continue to closely monitor ESG issues and progressively refine our ESG management system in alignment with business development, thereby integrating ESG principles into daily operations and management processes. Currently, we have established relevant policies and management measures in areas such as environmental management, product quality, supply chain management, employee management, and business ethics to support our stable operations and long-term development.

We commit to complying with the relevant requirements of Appendix C2 *Environmental, Social and Governance Reporting Code* of the Rules Governing the [**REDACTED**] of Securities on The Stock Exchange of Hong Kong Limited after [**REDACTED**], to continue carrying out ESG information management and disclosure work, and to publish an ESG report on an annual basis.

ESG Governance

We plan to gradually establish and improve the ESG governance structure after [**REDACTED**] and continue to advance ESG-related management work. The Board will be responsible for supervising and managing our ESG matters, including reviewing ESG management policies and related objectives, identifying, assessing, and monitoring ESG-related risks, and regularly reviewing our ESG work progress and examining ESG-related disclosures. We intend to establish an ESG working group composed of senior management to assist the Board in advancing ESG management. The group shall be responsible for coordinating the establishment of ESG policies, setting targets, and implementing relevant measures, while also assessing and monitoring ESG-related risks in conjunction with operational conditions. Relevant departments shall implement ESG management requirements according to their respective responsibilities, identify and report ESG-related risk matters, provide recommendations for improvement, and regularly report the progress of ESG work to the Board of Directors.

Corporate Governance

We strictly comply with the laws and regulations, supervisory provisions, and industry standards applicable to our operating regions, established a comprehensive compliance governance system, effectively fulfilled corporate social responsibilities, and safeguarded the legitimate rights and interests of shareholders, employees, and other stakeholders.

The professionalism and diversity of the Board are key factors in ensuring that we achieve stable, orderly, and sustainable development. We are committed to establishing a clear, transparent, and effective corporate governance structure and continuously optimizing the composition of the Board of Directors. In the appointment of directors, we attach importance to and comply with our diversity policy, considering multiple dimensions including professional expertise, industry knowledge, work experience, gender, age, and cultural background to ensure that the Board possesses a comprehensive perspective and high-level decision-making capabilities.

Communication with Stakeholders

We place high importance on communication with all stakeholders and are committed to establishing a transparent, efficient, and diversified communication mechanism. We have established comprehensive communication channels covering both online and offline platforms to ensure the timeliness and accuracy of information dissemination. By maintaining close engagement with key stakeholders, including shareholders, government authorities and regulatory bodies, customers, employees, and suppliers, we actively listen to their perspectives and gather extensive feedback and suggestions regarding ESG management.

Based on our business characteristics, industry attributes, and the core concerns of stakeholders, we conducted an assessment of substantive issues. For the identified key issues, we further assessed their potential risks and strategic opportunities and formulated effective response strategies and management measures.

Issues of Materiality	Potential Risks
Environmental Compliance Management	• Failure to strictly comply with environmental protection laws and regulations in the jurisdictions where operations are conducted, or failure to establish an effective environmental management system, may result in environmental incidents such as non-compliant discharges. Consequently, we may face administrative penalties, fines, and suspension of business from regulatory authorities, which could also damage our reputation.
Occupational Health and Safety	• In the event of a violation of occupational health and safety laws and regulations, or work-related injuries or fatalities resulting from deficiencies in risk management, employee life safety will be directly threatened. This may lead to substantial legal compensation, regulatory fines, business interruptions, and production stoppages.
Anti-Corruption	• Violations of commercial ethics and anti-corruption laws and regulations may result in us being removed from the cooperation lists of customers or suppliers, facing substantial fines and criminal liability for senior executives. If the internal reporting mechanism is absent or ineffective, it may trigger a severe crisis of trust and negative public opinion, thereby impairing long-term commercial value.
Consumer Privacy Protection and Responsible Marketing	• False statements in marketing communications, misleading consumers, or failure to adequately protect customer data privacy shall constitute a violation of the Advertising Law of the PRC (《中華人民共和國廣告法》) and relevant regulations on the protection of consumer rights. We may face regulatory investigations, product delistings, consumer class-action lawsuits and compensation claims, resulting in damage to brand reputation.

Business Ethics

We strictly comply with the laws and regulations of the countries and regions in which we operate. Throughout our business operations, we prohibit any form of fraud, bribery, or improper benefit transfers, ensuring that all commercial activities adhere to the highest standards of ethical conduct. We have established a comprehensive business ethics management system and formulated policies such as the *Integrity SORL Initiative Manual*, which clearly defines the code of conduct and responsibilities for employees, directors, and management in business activities, providing clear behavioral guidance for all staff.

We attach great importance to ethical training. An integrity class is conducted once a month via DingTalk University to ensure that all employees possess compliance awareness. During the Track Record Period, we regularly organized anti-corruption training for directors and employees, achieving a 100% participation rate.

Handling of Whistleblowing Reports

We have formulated and strictly enforced the *Notice on Implementing the Reward System for Whistleblowing*, encouraging all employees, partners, and stakeholders to report violations through open and transparent channels. These channels include offline reporting via the Discipline Inspection Office and a dedicated mailbox, as well as online reporting through a designated email address and telephone hotline. We accept both real-name and anonymous reports. A strict whistleblower protection policy is implemented to strictly prohibit any form of retaliation against whistleblowers. The personal information of whistleblowers and the content of their reports are kept strictly confidential.

Climate Change

We have identified several climate change-related risks and opportunities that may impact business operations and have accordingly assessed their potential impacts and response measures.

Risk and Opportunity Assessment

- Physical Risks: Extreme weather events such as typhoons, heavy rainfall, and floods may temporarily impact store operations, customer foot traffic, and logistics transportation, thereby affecting supply chain stability and product delivery timelines. We have established an emergency plan for extreme weather and mitigated related impacts by monitoring weather warnings, coordinating warehousing and distribution, strengthening store safety management, and preparing typhoon response supplies.

- Transition Risks: With the enhancement of regulatory requirements regarding green packaging, energy conservation and emission reduction, as well as the transition to new energy sources, we may face upward pressure on costs in areas such as energy consumption, transportation and distribution. Additionally, the growing demand for new energy vehicles may impose higher requirements on the structure of products and services. We continue to closely monitor industry and regulatory developments and are progressively optimizing relevant operational arrangements.

- Potential Opportunities: The growing trend toward green and low-carbon development is expected to increase demand for environmentally friendly products and services. Policy initiatives promoting the optimization of industrial, energy and transportation structures, as well as large-scale equipment renewal, may create opportunities for the development of new energy and energy-efficient products. We continue to improve distribution efficiency and explore new energy delivery solutions, while closely monitoring the development of green and low-carbon products and technologies.

We identify and analyze greenhouse gas emission scenarios involved in our operations. Scope 1 emissions primarily arise from direct energy consumption, such as vehicle fuel, whereas Scope 2 emissions primarily stem from indirect greenhouse gas emissions generated by electricity usage. We continue to monitor energy consumption during operations and gradually reduce greenhouse gas emission levels by optimizing warehousing and distribution arrangements, promoting energy-efficient office practices, and enhancing resource utilization efficiency.

The table below sets forth the greenhouse gas emissions for the periods presented:

	Unit	2023	2024	2025
Total Greenhouse Gas Emissions (Scope 1 and Scope 2)[1]	tonnes of carbon dioxide equivalent	7,646.91	7,300.96	5,815.29
Greenhouse Gas Emission Intensity	tonnes of carbon dioxide equivalent/ million RMB revenue	2.54	2.28	1.97
Scope 1 Emissions .	tonnes of carbon dioxide equivalent	7,571.32	7,222.81	5,741.62
Scope 2 Emissions .	tonnes of carbon dioxide equivalent	75.59	78.16	73.67
Scope 3 Emissions[2].	tonnes of carbon dioxide equivalent	298.92	303.54	304.91

Notes:

1 Scope 1 and Scope 2 greenhouse gas emission data were calculated in accordance with the General Principles for Comprehensive Energy Consumption Calculation (GB/T 2589-2020). Our Scope 1 greenhouse gas emissions primarily arise from direct greenhouse gas emissions generated by the consumption of gasoline and diesel during operations; Scope 2 greenhouse gas emissions mainly originate from purchased electricity, calculated using the national grid average emission factor of 0.5306 tCO2/MWh for the year 2023 as published in the Announcement on Issuing the 2023 Electricity Carbon Dioxide Emission Factor by the Ministry of Ecology and Environment.

2 We currently report Scope 3 greenhouse gas emissions only related to purchased goods and services (Category 1) and fuel- and energy-related activities (Category 3). Other Scope 3 categories have not yet been included in the statistical scope due to factors such as data availability and accounting boundaries. Relevant accounting work will be progressively refined based on actual circumstances in the future.

Considering our business development cycle and internal and external environmental factors, we have preliminarily established greenhouse gas emission targets. The plan is to reduce greenhouse gas emissions (Scope 1 and Scope 2) per unit of revenue by 15% by 2028, using 2025 as the baseline year.

Energy Management

We focus on energy conservation and resource utilization efficiency during our business operations, comply with applicable environmental laws and regulations such as the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), and have established an internal *Environmental Management Policy*. This policy clearly defines management requirements for key environmental matters such as waste emissions, resource utilization, and climate change. Furthermore, we actively advance energy-saving initiatives in alignment with our operational context. With 2025 as the baseline, we plan to gradually reduce energy consumption per unit over the next three years.

We continue to monitor energy consumption during operations and are progressively advancing energy consumption management and energy-saving measures.

- New Energy Utilization: In conjunction with business operations, we progressively promote the adoption of new energy delivery vehicles and green transportation methods to enhance energy efficiency.
- Efficient Electricity Usage: We implement unified management of air conditioning usage requirements for office and operational premises, standardizing operating temperatures and operating hours to reduce non-essential electricity consumption.

The table below sets forth the energy consumption for the periods presented:

	Unit	2023	2024	2025
Direct Energy Consumption	tonnes of standard coal	3,572.92	3,409.05	2,710.44
Indirect Energy Consumption	tonnes of standard coal	17.51	18.10	17.06
Total Energy Consumption	tonnes of standard coal	3,590.43	3,427.15	2,727.50
Comprehensive Energy Consumption Intensity	tonnes of Standard Coal/million RMB revenue	1.19	1.07	0.92

Resource Management

Water consumption during our operations primarily stems from daily usage in office and warehousing activities. To enhance water use efficiency and reduce unnecessary consumption, we have strengthened daily water management, conducted water conservation awareness campaigns, and standardized water usage behaviors.

The table below sets forth the water consumption for the periods indicated:

	Unit	2023	2024	2025
Water Consumption	tonnes	2,585.80	2,715.81	2,626.80
Water Intensity	tonnes/million RMB revenue	0.86	0.85	0.89

Packaging materials generated during operations are primarily disposed of in compliance through outsourcing arrangements, and recyclable packaging bags are recycled. We continue to advance measures for the recycling of packaging materials. For certain products, we have gradually adopted reusable containers to reduce the use of disposable packaging materials and enhance resource utilization efficiency.

Furthermore, we continue to advocate for green office practices and environmentally sustainable operations by promoting paperless workflows and enhancing the recycling of office resources to reduce resource consumption in daily operations.

Emissions Management

We focus on the compliance management of emissions during operations and continue to advance waste and wastewater management initiatives to minimize the environmental impact of daily operations. The major emissions involved in the operational process are as follows:

- The waste generated during our operations primarily consists of harmless waste such as paper, packaging materials, and domestic refuse arising from office and store operations. As our principal business activities are centered on auto parts distribution, warehousing, and sales operations without involving manufacturing processes, no significant hazardous waste was generated during our operations. We have established designated areas for the storage of solid waste and entrusted qualified third-party institutions for its recycling and disposal.

- Waste Gas: As we are not engaged in industrial production activities, no significant waste gas emissions occurred during operations.

- Wastewater: The wastewater generated during our operations primarily consists of domestic sewage from daily activities in office and warehousing operations and is discharged in accordance with relevant requirements of the location where operations are conducted.

We have primarily implemented emission reduction and control measures in the following areas:

Waste Categories	Key Governance Measures
Wastewater	• Strengthen daily water usage and drainage management, and standardize the discharge of domestic sewage.
Non-Hazardous Waste	• Promote paperless office operations by adopting electronic approval and invoice printing systems, while advocating cost-saving measures such as double-sided printing.

Product Liability

We comply with product quality laws, regulations, and industry standards applicable in the locations where we operate. A product quality management system covering procurement, transportation, warehousing, and sales has been established. Internal policies and management processes, including the *Supplier Quality Management Specification*, have been formulated to ensure that product quality meets relevant standards and operational requirements.

- A comprehensive quality control system covering the entire process has been established, encompassing supplier qualification, incoming material quality, product compliance management, after-sales claims handling, and a closed-loop mechanism for quality improvement.

- Internal quality audits are conducted on a regular basis, and external quality reviews are carried out in coordination with clients and third-party institutions. A rectification tracking mechanism is established for identified issues, and the progress of rectification is continuously monitored.

- A normalized quality training mechanism has been established to cover management personnel, store managers, and frontline employees. Quality management and after-sales service levels were enhanced through online and offline training sessions as well as case study exchanges.

In the event of product quality issues, we conduct problem tracing, rectification, and product recall activities in accordance with the relevant requirements of the *New Ruili Corrective and Preventive Actions (CAPA) Management Policy*. During the Track Record Period, our Group had no recall of sold or delivered products due to safety or health reasons.

Supply Chain Management

We have established a full lifecycle management mechanism covering supplier onboarding, audit, evaluation, collaboration, and exit. At the onboarding stage, we established the *Supplier Survey Form* to ensure that partners meet the required qualifications and capabilities. Simultaneously, a comprehensive supplier risk management system was implemented, covering key stages including risk identification, risk assessment, and risk management. On this basis, we implement dynamic management based on performance. Assessments are conducted using indicators such as the quality pass rate and on-time delivery rate. An exit mechanism is initiated for those who fail to meet standards or violate regulations to ensure supply chain stability.

Furthermore, we place high importance on the sustainable development of our supply chain. ESG-related requirements, including environmental responsibility, quality and safety, and social responsibility, have been incorporated into the criteria for supplier cooperation. Through joint market activities and targeted training, we aim to continuously enhance the service capabilities and compliance levels of the supply chain.

Consumer Privacy Protection and Responsible Marketing

We strictly comply with laws and regulations concerning privacy protection and responsible marketing. In our operations, we standardize sales and promotional activities to avoid false, misleading, or exaggerated representations, thereby ensuring that the intellectual property rights of both us and our customers remain inviolate. We have established internal management policies, including the *Information Security Management Policy*, and strengthened the protection of customer information and data management through measures such as access control and information security training. Regarding marketing management, we have established the *Responsible Marketing Management Measures for the International Sales Division* to implement an approval process management for promotional content and standardize the issuance of marketing information and external publicity activities.

Employee Hiring and Rights

We strictly comply with all applicable laws and regulations regarding employee employment in the jurisdictions where we operate and firmly prohibit any form of child labor or forced labor. We have established and implemented internal policies, including the *New SORL Human Resources Process*, to strictly enforce identity verification during the recruitment phase to ensure compliance. We adhere to the principle of equal employment opportunities and are committed to building a diverse and non-discriminatory workforce. Concurrently, we enhance our talent pipeline through systematic training, job rotation, and selection mechanism, thereby providing employees with extensive career development opportunities.

We are committed to establishing a competitive compensation and benefits system. Regarding the compensation structure, employee income comprises base salary, overtime pay, position allowances, and performance-based wages. In addition, we pay social insurance and housing provident fund for employees in accordance with applicable laws and regulations, provide supplementary commercial insurance, and offer various subsidies and non-monetary benefits.

The table below sets forth employee employment data for the periods presented:

	Unit	2025
Total Number of Employees	Person	1,614
Total Number of Employees by Gender		
Male	Person	1,235
Female	Person	379
Employee Turnover Rate		
Employee Turnover Rate	%	22.11

Occupational Health and Safety

We strictly comply with all applicable laws and regulations on occupational health and safety in the jurisdictions where we operate. We are committed to preventing and controlling occupational hazards across all business segments, including offices, warehousing, retail, and logistics. We have established and implemented internal management policies, such as the *New SORL Occupational Health Management Regulations*, by regularly conducting hazard identification and remediation and implementing protective measures to minimize occupational health risks.

We regularly conduct safety and fire safety training programs and organize all employees to participate in emergency drill exercises to ensure that staff are familiar with emergency evacuation routes and response procedures. All new employees of the Group are required to undergo safety training upon onboarding. During the reporting period, no employee fatalities or work-related injuries occurred in our operations, and no workplace accidents took place.

Community Contribution

Public welfare affairs are centrally managed by our headquarters. We actively participate in diversified public welfare activities, including social donations, rural revitalization, sports, education, cultural promotion, foundation cooperation, and poverty alleviation assistance. Meanwhile, we actively integrate into the local community by participating in industry association activities in our location to strengthen positive interactions with peers. We are committed to promoting the prosperity and development of the local industry ecosystem, thereby achieving common growth for the corporation, its employees, and the community.

LICENSES, APPROVALS AND PERMITS

We are required to obtain and maintain various licenses, approvals and permits to ensure compliance with applicable laws and regulations in the regions where we conduct business. These authorizations are fundamental to our operations and affirm our adherence to industry standards in safety, environmental protection and technical competency.

The following table sets forth details of our material licenses, approvals and permits and their respective holding entities during the Track Record Period.

License/approval/permit	Issuing authority	Number	Expiry date
Hazardous Chemicals Business License	Ruian Emergency Management Bureau	33038113202600013	June 9, 2029
AEO Certified Enterprise Certificate	Hangzhou Customs District, PRC	AEOCN33159619B7	N/A[(1)]
Registration of Import-Export Goods Consignees and Declaring Agents	Wenzhou Customs District, PRC	33159619B7	December 31, 2099
Fixed Pollution Source Pollution Discharge Registration	Ministry of Ecology and Environment of the People's Republic of China	91330381MA7FTNAE2Q001Z	October 8, 2028

Note:

(1) No specific expiry date is indicated on relevant certificate, approval or permit.

LEGAL PROCEEDINGS AND COMPLIANCE

We may from time to time be subject to various legal or administrative claims and proceedings arising from the ordinary course of business. During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending legal, arbitral or administrative proceedings (including any administrative penalties, bankruptcy or receivership proceedings), which we believe would have a material adverse effect on our business, results of operations or financial condition. As of the Latest Practicable Date, we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or any of our Directors, which we believe would have a material adverse effect on our business, results of operations or financial condition.

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material non-compliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

EXPORT CONTROL, ECONOMICS SANCTIONS AND TARIFF IMPLICATIONS

Based on the advice of our International Sanctions Legal Adviser, the Directors are of the view that the impact of the latest economic sanctions, export controls and tariffs imposed by the U.S. and other jurisdictions on our business operations and financial performance is minimal.

Economic Sanctions

Based on the due diligence and analysis of our International Sanctions Legal Adviser, although we engaged in sales activities involving a limited number of entities subject to certain U.S. economic sanctions during the Track Record Period, such transactions do not give rise to primary sanctions exposure and that secondary sanctions risks associated with such transactions are limited, for the following reasons: First, the relevant transactions had no U.S. nexus, because (i) all payments were settled in non-U.S. dollar currencies and did not involve any U.S. financial institution in the payment or clearing process; (ii) no U.S. persons participated in or facilitated the relevant transactions; and (iii) as confirmed by our International Sanctions Legal Adviser's analysis in relation to Export Administration Regulations, our products do not contain U.S.-origin controlled content in excess of the applicable de minimis threshold and are not subject to the Foreign Direct Product Rules. Accordingly, the transactions were conducted entirely outside U.S. jurisdiction and did not involve any U.S. nexus that would trigger primary sanctions liability under OFAC regulations. Second, transactions with entities on the SDN list and blocked persons were relatively small scale, namely, 0.44% of the total revenue in aggregate during the Track Record Period, and the transactions were all performances of orders that the customers made before they were sanctioned; following designation or blocking, we did not enter into any new transactions with those customers. Third, the transactions were sales of auto parts for general civil use and did not attempt to obscure or conceal the actual parties or true nature of the transactions, or evade sanctions.

As further advised by our International Sanctions Legal Adviser, our business transactions with Russia, Belarus, Syria and Iraq, do not give rise to any risks of Primary Sanctioned Activity, while the risk related to Secondary Sanctioned Activity is remote for the following reasons:

- With respect to Belarus specifically, our transactions involved one customer subject to the OFAC 50% Rule. Transactions with this customer accounted for approximately 0.28% of our total revenue in aggregate during the Track Record Period. As noted above, all such transactions represented performance of orders placed prior to the customer becoming subject to the OFAC 50% Rule, and no new transactions were entered into thereafter.

- With respect to Russia, Syria, and Iraq, our transactions with customers in these jurisdictions involved the sale of standard auto parts for general civil end-use, with no connection to any sanctioned sector. None of the relevant customers were individually designated on the SDN List or otherwise identified as blocked persons.

- In each case: (i) the transactions had no U.S. nexus as described above and the revenue from such countries accounted for 5.86% of our total revenue in aggregate during the Track Record Period; (ii) the transactions involved standard automotive components for civilian use, with no military or strategic application; (iii) the transactions were conducted without any attempt to conceal the sanctioned-country nexus or circumvent applicable sanctions requirements; (iv) the frequency of OFAC's enforcement actions against these countries has significantly decreased and the actual enforcement risks we faced would further diminish. While enforcement trends do not eliminate legal risk, this factor is relevant to the practical assessment of enforcement exposure.

Taken together with the absence of U.S. nexus, the civil end-use nature of the products, the limited transaction volumes, and the absence of any intent to evade sanctions, our International Sanctions Legal Adviser is of the opinion that the residual secondary sanctions risk associated with our transactions is remote.

Outbound Investment Rules

Under the Final Rules on Outbound Investments issued by the U.S. Department of the Treasury, since we are registered and have our principal place of business in China, we are considered a "person of a country of concern". However, based on the view from our International Sanctions Legal Adviser, we are not classified as a "covered foreign person" as we do not engage in the covered activities defined by the Outbound Investment Rules:

- We do not engage in the development or production of semiconductor fabrication/packaging equipment or electronic design automation software, nor does it design, fabricate, package semiconductors, or develop, install, sell, or produce supercomputers.

- We do not engage in the development or production of quantum sensing platforms, or quantum network/communication systems.

- We do not develop AI systems designed or intended to be exclusively used for military end uses, government intelligence/mass-surveillance end uses, or other restricted end uses, nor does it train AI systems using computing power that meets the threshold established in the Outbound Investment Rules.

- We are not listed on any restricted lists specified in the Outbound Investment Rules.

Based on the foregoing, we are not a "covered foreign person" as defined under the Final Rules. Investments by U.S. persons, including equity purchases in the Group, are not subject to the restrictions imposed by the Final Rules, and therefore the Final Rules have no impact on us or the [**REDACTED**].

Tariffs

In 2025, the U.S. implemented a series of tariff measures, including reciprocal tariffs on global trading partners. In response, countries such as China adopted retaliatory measures. As for U.S.-China tariff policies, following a period of escalated tensions, including temporary reciprocal tariff rates as high as 125% on Chinese goods, the U.S. and China announced a 90-day suspension of certain tariff measures in May 2025, which was extended in August 2025. These agreements resulted in a reduction of the aggregate additional U.S. tariffs on Chinese goods from approximately 145% (comprising 125% reciprocal tariffs and 20% fentanyl-related tariffs) to a combined rate of 30% (comprising 10% reciprocal tariffs and 20% fentanyl-related tariffs). On November 4, 2025, the United States further reduced fentanyl-related tariffs from 20% to 10% and extended the suspension of heightened reciprocal tariffs on imports from the PRC until November 10, 2026. Correspondingly, China reduced its additional tariff rates on U.S. imports to 10%. Furthermore, on February 20, 2026, the U.S. Supreme Court ruled that the U.S. reciprocal tariffs are unconstitutional. On March 4, 2026, a court order further required U.S. Customs and Border Protection (CBP) to liquidate entries without regard to the IEEPA duties. Following the court's order CBP is developing a new capability within its system to calculate and provide valid refunds of additional duties imposed under IEEPA. The system launched the first phase on April 20, 2026.

With respect to tariffs imposed by China, during the Track Record Period, we have not purchased items originating from the U.S. and the materials were not subject to high additional tariffs.

With respect to export activities, our exports were generally conducted under the FOB term. Under this arrangement, any import duties or tariffs levied on our products following delivery at the named port of shipment are for the account of our customers and do not directly affect our revenue or cost structure. However, although the U.S. Supreme Court has ruled that reciprocal tariffs are unconstitutional, the U.S. government may seek to introduce alternative trade measures, such as Section 301 tariffs, anti-dumping duties, or other tariff measures. Any such future measures, if applied to our products, the resulting tariff costs could indirectly affect customer demand for our products. That said, this is a market-wide risk common to all upstream suppliers, and our operations have not experienced any material adverse impact from U.S. tariffs up to the Latest Practicable Date.

Please also refer to "Risk Factors — Risks Relating to Doing Business in the Countries and Regions Where We Operate — Our international operations are exposed to risks related to export control, international sanctions and tariff" in this document.

RISK MANAGEMENT AND INTERNAL CONTROL MEASURES

We have established a set of risk management measures and internal control policies and procedures that we consider to be appropriate for our business operations, and we are dedicated to continuously improving these polices. Furthermore, we continuously review the implementation of our risk management policies and measures to ensure that our policies and implementation are effective and sufficient. We have adopted and implemented comprehensive internal control management in various aspects of our business operations, including the following.

Financial Management

We conduct accounting processing via our SAP ERP system, enabling centralized financial management. We have in place a set of accounting policies in connection with our financial reporting risk management. We have various procedures in place to implement accounting policies, and our financial department reviews our management accounts based on such procedures. We also provide regular training to our employees in the finance department to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

Compliance Management

Our operation risk management involves compliance with the PRC laws and regulations and other applicable laws and regulations, especially laws and regulations relating to product quality, and environmental protection.

Human Resource Management

We have established internal control and risk management policies covering various aspects of human resource management such as recruitment, training, work ethics and legal compliance. We maintain high standards in recruitment with strict procedures to ensure the quality of new hires and provide specialized training tailored to the needs of our employees in different departments. We also conduct periodic performance reviews for our employees, and their remuneration is performance based. We monitor the implementation of internal risk management policies on a regular basis to identify, manage and mitigate internal risks in relation to the potential non-compliance with our code of conduct, work ethics, and violations of our internal policies or illegal acts.

Internal Control

Our Directors and senior management are responsible for formulation and overseeing the implementation and effectiveness of our internal control and risk management systems, which are designed to ensure our ongoing compliance with the applicable laws, regulations and rules relevant to our business operations and/or corporate governance, and to prevent any recurrence of any incidents of non-compliance.

To monitor the ongoing implementation of our risk management policies and improve our corporate governance, we have adopted or will continue to adopt after [**REDACTED**], a series of internal control measures, highlights of which include the following:

- establishing an Audit Committee to review and supervise our financial reporting process and internal control system. Please refer to "Directors and Senior Management" in this document for the qualifications and experience of the committee members;

- adopting various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to risk management, connected transactions and information disclosures; and

- organizing training session for our Directors and senior management in respect of the relevant requirements under the Listing Rules.

In preparation for the [**REDACTED**], we engaged an independent internal control consultant to review our internal control system, based on an agreed scope covering controls and procedures that include the following aspects: revenue, sales, accounts receivable and collection procedures, procurement, accounts payable and payment procedures, human resources and payroll management, inventory management, production and cost management, fixed asset management, intangible asset management, cash and treasury management, financial reporting procedures and disclosure controls, insurance management, taxation management, research and development management, and general IT controls. Our internal control consultant recommended various rectification and improvement measures in our internal control system based on its findings.

Accordingly, we have begun implementing the rectification and improvement measures in response to these findings and recommendations. Our internal control consultant has also followed up on the actions we took in relation to our internal control system, and did not raise further recommendation in the follow-up review. Taking into consideration of the above, our Directors are of the view that our enhanced internal control measures are adequate and effective for our current business operation.

AWARDS AND RECOGNITIONS

During the Track Record Period, we received awards and recognitions in respect of our products and operations. The following table sets forth the details of some of the notable awards and recognitions which we have received:

Award/Recognition	Year of Receipt	Issuing Entity
Top 20 Foreign Trade Enterprises of Ruian City in 2024 (2024年度瑞安市外貿企業二十強)	2025	Ruian Municipal People's Government (瑞安市人民政府)
2025 Zhejiang Top 100 Future Unicorn Enterprises (2025浙江未來獨角獸企業TOP100)	2025	Organizing Committee of All Things Growth Conference (萬物生長大會組委會)
Leading Enterprise in Integrated Domestic and Foreign Trade, Cultivation of Industrial Bases for Reform Pilot Projects (內外貿一體化「領跑者」企業、改革試點產業基地培育)	2024	Department of Commerce of Zhejiang Province (浙江省商務廳)
Advanced Entity of Ruian City for the Promotion of International Trade in 2023 (2023年度瑞安市貿促工作先進單位)	2024	Ruian Municipal People's Government
Top 20 Foreign Trade Export Enterprises of Ruian City in 2023 (2023年度瑞安市外貿出口二十強企業)	2024	Ruian Municipal People's Government
The 6th Auto Parts Supply Chain Golden Star Award (第六屆汽配供應鏈金星獎)	2023	AO Automotive (AO汽車)
2023 Top 100 Auto Aftermarket Chain Stores & TOP Brands • Golden Star Award (2023汽車後市場連鎖百強&TOP品牌•金星獎)	2023	AO Automotive
Authorized Economic Operator ("**AEO**") (高級認證企業證書)	2023	Hangzhou Customs (杭州海關)