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Application Proof of

Zhejiang New SORL Auto Parts Co., Ltd. 浙江新瑞立汽配股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

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Zhejiang New SORL Auto Parts Co., Ltd.

浙江新瑞立汽配股份有限公司

(A joint stock company incorporated in the People’s Republic of China with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED] : [REDACTED] H Shares (subject to the [REDACTED])
Number of [REDACTED] : [REDACTED] H Shares (subject to reallocation)
Number of [REDACTED] : [REDACTED] H Shares (subject to reallocation and the [REDACTED])
Maximum [REDACTED] : HK\$[REDACTED] per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and the AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value : RMB1.00 per H Share
[REDACTED] : [REDACTED]

Sole Sponsor, [REDACTED], [REDACTED],
[REDACTED] and [REDACTED]

ABCI  **農銀國際**

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The [REDACTED] is expected to be fixed by agreement between the [REDACTED] (on behalf of the [REDACTED]) and us on the [REDACTED]. The [REDACTED] is expected to be on or before [REDACTED] (Hong Kong time) and, in any event, not later than 12:00 noon on [REDACTED] (Hong Kong time). The [REDACTED] will not be more than HK\$[REDACTED] per [REDACTED] and is currently expected to be not less than HK\$[REDACTED] per [REDACTED]. If, for any reason, the [REDACTED] is not agreed by 12:00 noon on [REDACTED] (Hong Kong time) between the [REDACTED] (on behalf of the [REDACTED]) and us, the [REDACTED] will not proceed and will lapse. [REDACTED] for [REDACTED] may be required to pay, on application (subject to application channels), the maximum [REDACTED] of HK\$[REDACTED] for each [REDACTED] together with a brokerage of 1%, a SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%.

Prior to making an [REDACTED] decision, [REDACTED] should consider carefully all of the information set out in this document, including the risk factors set out in the section headed “Risk Factors”.

The [REDACTED] (for itself and on behalf of the [REDACTED]) may, with our consent, reduce the number of [REDACTED] being [REDACTED] under the [REDACTED] and/or the [REDACTED] stated in this document at any time on or prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, an announcement will be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.cnsorl.com not later than the morning of the day which is the last day for lodging applications under the [REDACTED]. Details of the arrangement will then be announced by us as soon as practicable. For further information, please see the sections headed “Structure of the [REDACTED]” and “How to Apply for [REDACTED]”.

The obligations of the [REDACTED] under the [REDACTED] are subject to termination by the [REDACTED] (for itself and on behalf of the [REDACTED]) if certain grounds arise prior to 8:00 a.m. on the [REDACTED]. Please see the section headed “[REDACTED] — [REDACTED] Arrangements and Expenses — [REDACTED] — Grounds for Termination”.

[REDACTED]

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

CONTENTS

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You should rely only on the information contained in this document to make your [REDACTED] decision. We have not authorized anyone to provide you with information that is different from what is contained in this document. Any information or representation not included in this document must not be relied on by you as having been authorized by us, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of our or their respective directors, officers, employees, agents or representatives of any of them, or any other person or party involved in the [REDACTED]. Information contained on our website, located at www.cnsorl.com, does not form part of this document.

	Page
EXPECTED TIMETABLE	iii
CONTENTS	vi
SUMMARY	1
DEFINITIONS	11
GLOSSARY OF TECHNICAL TERMS	22
FORWARD-LOOKING STATEMENTS	24
RISK FACTORS	25
WAIVERS	42
INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]	46
DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]	49
CORPORATE INFORMATION	52
INDUSTRY OVERVIEW	54
REGULATORY OVERVIEW	66
HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE	78
BUSINESS	96
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS	140
CONNECTED TRANSACTIONS	146
DIRECTORS AND SENIOR MANAGEMENT	157
SHARE CAPITAL	170

CONTENTS

SUBSTANTIAL SHAREHOLDERS	174
FINANCIAL INFORMATION	176
FUTURE PLANS AND [REDACTED]	205
[REDACTED]	208
STRUCTURE OF THE [REDACTED]	217
HOW TO APPLY FOR [REDACTED]	224
APPENDIX I — ACCOUNTANTS' REPORT	I-1
APPENDIX II — UNAUDITED [REDACTED] FINANCIAL INFORMATION	II-1
APPENDIX III — SUMMARY OF THE ARTICLES OF ASSOCIATION	III-1
APPENDIX IV — STATUTORY AND GENERAL INFORMATION	IV-1
APPENDIX V — DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND DOCUMENTS ON DISPLAY	V-1

SUMMARY

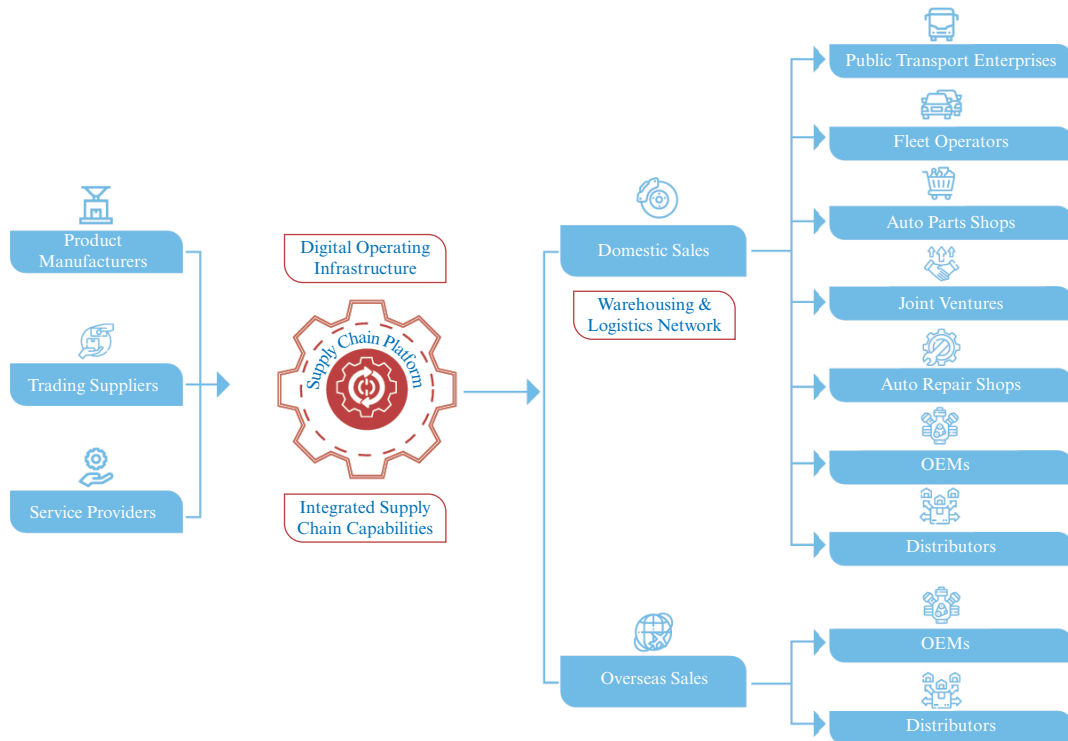
This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read the entire document before you decide to [REDACTED] in the [REDACTED].

There are risks associated with any [REDACTED]. Some of the particular risks in [REDACTED] in the [REDACTED] are set out in the section headed “Risk Factors.” You should read that section carefully before you decide to [REDACTED] in the [REDACTED].

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. 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 systems, we directly connect upstream auto parts manufacturers with downstream customers through our comprehensive one-stop supply chain platform. Our domestic customers primarily include 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.

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

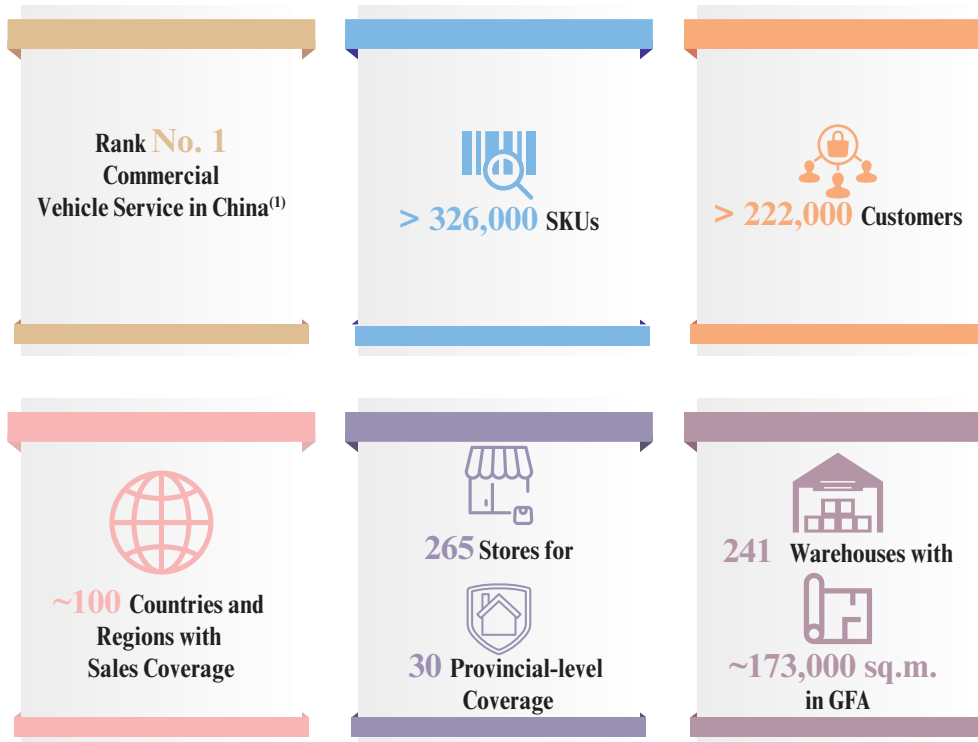


Our operating capabilities are supported by our “One Core, Two Wings (一主兩翼)” digital operating infrastructure. “One Core” refers to our SAP ERP system, which serves as the core platform for finance, procurement, sales and inventory management. We have also developed “Two Wings”, namely our SRM platform and our CRM platform, for supplier collaboration, store management, warehousing and logistics management, which enables us to

SUMMARY

improve information flow, strengthen operational control and support order fulfillment across our platform. 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. We can promptly respond to customer’s 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 down time 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:

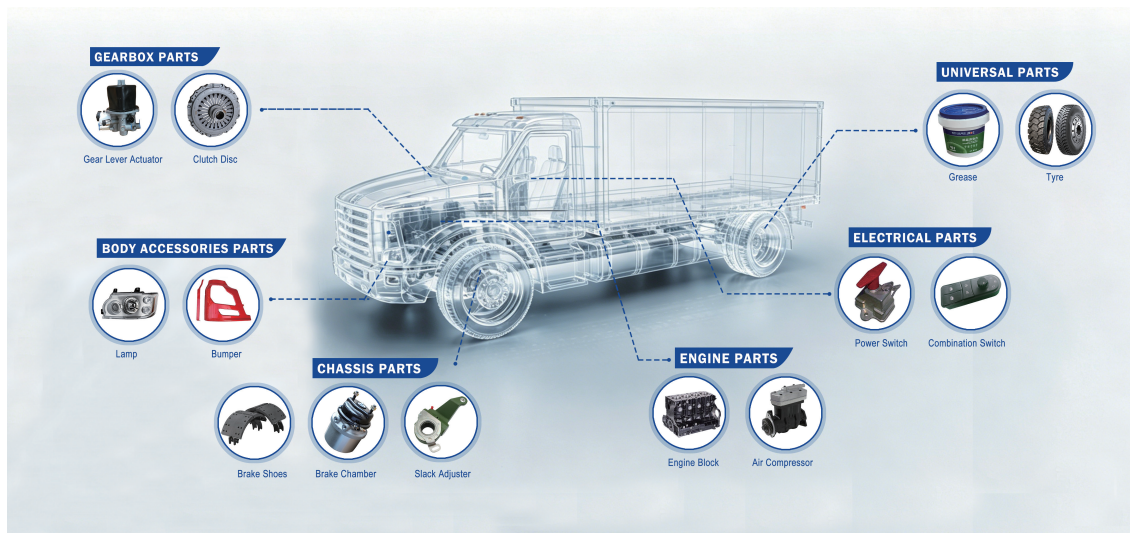
- (1) In terms of both revenue in 2025 and the number of operating stores as of December 31, 2025, according to CIC.

BUSINESS MODEL

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. 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.

SUMMARY

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



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. Domestically, these services are primarily delivered through our operating stores, customer-facing online platform, 7x24-hour service hotline and warehousing and logistics network, while in overseas markets they are primarily supported by 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.

We pursue 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 operational systems. We have also developed a joint venture model with local state-owned public transport groups, through which we combine our procurement, 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 relationship with public transport customers and deepen our market penetration in selected local markets. 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 expand primarily through our global distribution network, with distributors present in around 100 countries and regions across the world.

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 STRENGTHS

We believe that the following strengths contribute to our success and differentiate us from our competitors:

- Largest commercial vehicle service provider in China with full-range product offering and reliable service support;
- Digital operational infrastructure and extensive supply chain network driving operational excellence;

SUMMARY

- Extensive sales network and joint venture model underpinning sustainable business expansion;
- Early strategic deployment and established capabilities in the new energy vehicle sector; and
- Visionary management team and internally developed talent base supporting long-term growth.

OUR STRATEGIES

We intend to pursue the following strategies:

- Further improve supply chain capabilities and operational efficiency;
- Deepen customer relationship and expand strategic partnerships;
- Expand network coverage in lower-tier markets;
- Pursue prudent overseas expansion; and
- Further enhance digital capabilities.

CUSTOMERS AND SUPPLIERS

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, public transport enterprises and distributors, with joint ventures established with state-owned public transport enterprises having become our growth drivers during the Track Record Period. Our overseas customer base includes distributors and OEMs. For each year during the Track Record Period, revenue derived from our five largest customers amounted to RMB458.9 million, RMB397.1 million and RMB314.7 million, representing 17.1%, 14.7% and 12.5% of our total revenue, respectively.

We maintain a sizable and qualified supplier pool to secure a stable, high-quality and cost-effective supply of auto parts products. Our suppliers mainly include auto parts manufacturers, trading suppliers, commercial service providers, and research and experimental development institutions. For each year during the Tract Record Period, purchases from our five largest suppliers amounted to RMB1,972.9 million, RMB2,100.8 million and RMB1,849.8 million, representing 77.7%, 76.5% and 74.2% of our total purchase amounts, respectively.

RISK FACTORS

Our operations and the [REDACTED] involve certain risks and uncertainties, which are set out in the section headed "Risk Factors." You should read that section in its entirety carefully before you decide to [REDACTED] in our Shares. Some of the major risks we face include:

- We operate in a highly competitive commercial vehicle service market, and any failure to sustain our market position or keep pace with industry changes could materially and adversely affect our business, financial condition and future prospects;
- Our business and growth prospects are susceptible to changes in customer demand and spending in the commercial vehicle service market;
- Any harm to our brand or reputation could materially and adversely affect our business, market share and results of operations;
- We are exposed to concentration and counterparty risks from our largest supplier. Any disruption to or adverse change in such arrangements could materially and adversely affect our business, gross margins and results of operations;

SUMMARY

- Our joint venture and cooperation arrangements with local public transport enterprises may not be sustained or expanded as expected, and may expose us to risks relating to corporate governance, operational integration, compliance and related party transactions.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Ruili Company, Ruili Ruiheng, Xinruili No.1 and Ruili No.52 held 74.61%, 13.17%, 0.90% and 0.53% of the Shares of our Company, respectively. Ruili Company was owned as to 82.92% by Mr. Zhang and 15.86% by Ms. Chi, respectively. Mr. Zhang and Ms. Chi are spouses. Ruili Company holds 100% of Ruili Ruiheng and Ruili Ruichuang. Ruili Ruiheng is the general partner of Xinruili No.1, and Ruili Ruichuang is the general partner of Ruili No.52. Accordingly, each of Mr. Zhang, Ms. Chi, Ruili Company, Ruili Ruiheng, Ruili Ruichuang, Xinruili No.1 and Ruili No.52 is our Controlling Shareholder, and they collectively held 89.21% of our Shares as of the Latest Practicable Date.

Immediately upon completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), our Controlling Shareholders will be entitled to exercise approximately [REDACTED]% of the voting rights at our general meeting. Therefore, they will remain as our Controlling Shareholders. For further details about our Controlling Shareholders, see “Relationship with our Controlling Shareholders” in this document.

[REDACTED] INVESTORS

Up to the Latest Practicable Date, we have conducted two rounds of [REDACTED] Investments. See “History, Development and Corporate Structure — [REDACTED] Investments” in this document for further details.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following table summarizes the financial information of our Group during the Track Record Period, which is extracted from the Accountants’ Report set out in Appendix I to this document.

Summary of Consolidated Statements of Profit or Loss

	For the Year Ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Revenue	2,676,164	100.0	2,715,330	100.0	2,504,373	100.0
Cost of sales	(2,233,931)	(83.5)	(2,280,746)	(84.0)	(2,108,836)	(84.2)
Gross profit	442,233	16.5	434,584	16.0	395,537	15.8
Other income and gains	10,133	0.4	24,951	0.9	12,828	0.5
Selling and distribution expenses	(300,111)	(11.2)	(265,830)	(9.8)	(196,142)	(7.8)
Administrative expenses	(125,753)	(4.7)	(130,841)	(4.8)	(117,210)	(4.7)
Research and development expenses	(1,725)	(0.1)	(2,053)	(0.1)	(1,881)	(0.1)
Impairment losses on financial assets, net	(4,972)	(0.2)	(4,272)	(0.2)	(2,726)	(0.1)
Other expenses	(9,206)	(0.3)	(1,105)	(0.0)	(4,779)	(0.2)
Finance costs	(4,803)	(0.2)	(3,765)	(0.1)	(4,230)	(0.2)
Share of profits and losses of joint ventures	(1,409)	(0.1)	4,009	0.1	7,888	0.3
Profit before tax	4,387	0.2	55,678	2.1	89,285	3.6
Income tax expense	(3,516)	(0.1)	(13,165)	(0.5)	(19,103)	(0.8)
Profit for the year	871	0.0	42,513	1.6	70,182	2.8

SUMMARY

During the Track Record Period, despite fluctuations in our revenue, we achieved sustained improvement in profitability. Our net profit increased from RMB0.9 million for the year ended December 31, 2023 to RMB42.5 million for the year ended December 31, 2024, and further increased to RMB70.2 million for the year ended December 31, 2025, mainly driven by our strategic optimization, operational enhancement, and market deepening during the Track Record Period. See “Financial Information — Year to Year Comparison of Results of Operations” in this document for further details.

Revenue

Revenue by product categories

During the Track Record Period, our revenue primarily came from the sales of auto parts products. The following table sets forth the breakdown of our revenue by types of products in absolute amounts and as percentages for the years indicated:

	For the Year Ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
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	<u>2,676,164</u>	<u>100.0</u>	<u>2,715,330</u>	<u>100.0</u>	<u>2,504,373</u>	<u>100.0</u>

Revenue by sales model

The following table sets forth a breakdown of our revenue by sales model in absolute amounts and as percentages for the years indicated:

	For the Year Ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Direct sales						
Domestic direct 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	<u>1,578,679</u>	<u>59.0</u>	<u>1,656,434</u>	<u>61.0</u>	<u>1,602,929</u>	<u>64.0</u>
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	<u>1,097,485</u>	<u>41.0</u>	<u>1,058,896</u>	<u>39.0</u>	<u>901,444</u>	<u>36.0</u>
Total	<u>2,676,164</u>	<u>100.0</u>	<u>2,715,330</u>	<u>100.0</u>	<u>2,504,373</u>	<u>100.0</u>

SUMMARY

Gross Profit and Gross Profit Margin

The following table sets forth the breakdown of our gross profit and gross profit margin by product categories for the years indicated:

	For the Year Ended December 31,					
	2023		2024		2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Product categories						
Chassis parts	317,622	18.8	304,996	17.8	263,637	17.0
Universal parts	23,234	5.0	33,555	7.0	39,607	8.8
Gearbox parts	54,721	19.9	52,860	18.6	46,589	18.1
Electrical parts	30,241	19.1	28,873	17.6	31,333	18.7
Engine parts	13,748	20.7	11,605	22.1	11,685	21.2
Body accessories parts	2,667	12.6	2,695	11.2	2,686	12.3
Total	<u>442,233</u>	16.5	<u>434,584</u>	16.0	<u>395,537</u>	15.8

Summary of Consolidated Statements of Financial Position

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total current assets	1,433,021	1,448,400	1,578,439
Total non-current assets	282,008	285,077	129,793
Total current liabilities	795,609	759,192	666,622
Total non-current liabilities	16,912	9,886	5,071
Net current assets	637,412	689,208	911,817
Net assets	902,508	964,399	1,036,539

We recorded a net current assets position as of each year end of the Track Record Period, with an upward trend. See “Financial Information — Discussion of Certain Selected Items from the Consolidated Statements of Financial Position” in this document for further details.

SUMMARY

Summary of Consolidated Statements of Cash Flows

The following table sets out a summary of our cash flows for the years indicated:

	For the Year Ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flows from/(used in)			
operating activities	106,695	159,127	(23,149)
Net cash flows used in investing			
activities	(155,730)	(37,237)	(67,662)
Net cash flows from/(used in)			
financing activities	191,799	(58,879)	1,997
Net increase/(decrease) in cash and			
cash equivalents	142,764	63,011	(88,814)
Cash and cash equivalents at			
beginning of the year	164,369	301,544	371,211
Effect of foreign exchange rate			
changes, net	(5,589)	6,656	(2,878)
Cash and cash equivalents at end of			
 the year	301,544	371,211	279,519

For the years ended December 31, 2023 and 2024, we recorded net cash generated from operating activities of RMB106.7 million and RMB159.1 million, respectively. For the year ended December 31, 2025, we recorded net cash used in operating activities of RMB23.1 million. Our net cash outflows in 2025 were mainly attributable to expanded use of bills payable to settle amounts due to third-party suppliers in 2024, which matured in 2025. See “Financial Information — Liquidity and Capital Resources” in this document for further details.

Key Financial Ratios

The following table sets forth our key financial ratios for the years indicated:

	For the Year Ended/As of December 31,		
	2023	2024	2025
Net profit margin	0.0%	1.6%	2.8%
Return on equity	0.1%	4.4%	6.8%
Current ratio	1.8	1.9	2.4
Quick ratio	1.2	1.3	1.7

DIVIDEND

No dividend had been paid or declared by our Company during the Track Record Period. There is no assurance that dividends of any amount will be declared or distributed in any year. Although currently we do not have a formal dividend policy or a fixed dividend distribution ratio, our Board may declare dividends in the future after taking into account various factors, including our future earnings and cash inflows, future plan for use of funds, long-term development of our business, statutory reserves, discretionary common reserve funds, legal and regulatory restrictions, and other factors which our Directors consider relevant. Distribution of dividends will be decided by our Board at their discretion and will be subject to Shareholders’ approval. In addition, our dividend policy will also be subject to our Articles of Association, the PRC Company Law and any other applicable PRC laws and regulations.

SUMMARY

RECENT DEVELOPMENTS

As of the Latest Practicable Date, our Shanghai International Permanent Auto Parts Exhibition Center had commenced trial operation, which had attracted more than 1,000 suppliers, covering industry participants across both commercial vehicle and passenger vehicle supply chains. As a year-round trading and display platform located in Shanghai, China, this exhibition center is gathering a wide range of auto parts suppliers to connect them with overseas buyers and facilitate cross-border trade cooperation.

Our Directors confirm that up to the date of this document, save as disclosed in this document, there has been no material adverse change in our financial, operational or trading positions or prospects since December 31, 2025, being the end of the period reported on as set out in the Accountants’ Report included in Appendix I to this document.

FUTURE PLANS AND USE OF [REDACTED]

Assuming an [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the indicative [REDACTED]), we estimate that we will receive [REDACTED] of approximately HK\$[REDACTED] from the [REDACTED] after deducting the [REDACTED] and other estimated expenses in connection with the [REDACTED], and assuming the [REDACTED] is not exercised. In alignment with our strategies and development plans, we intend to allocate the [REDACTED] for the following purposes:

- approximately [REDACTED]% (equivalent to HK\$[REDACTED]) of the [REDACTED] will be allocated to further develop our integrated supply chain platform, with a particular focus on the public transport and passenger vehicle sectors.
- approximately [REDACTED]% (equivalent to HK\$[REDACTED]) of the [REDACTED] will be allocated to develop our global sales and service network.
- approximately [REDACTED]% (equivalent to HK\$[REDACTED]) of the [REDACTED] will be allocated to enhance our digital operating infrastructure.
- approximately [REDACTED]% (equivalent to HK\$[REDACTED]) of the [REDACTED] will be allocated to further strengthen our domestic logistics network and enhancing the reliability, flexibility and eco-friendliness of our logistics infrastructure.
- approximately [REDACTED]% (equivalent to HK\$[REDACTED]) of the [REDACTED] will be reserved for general working capital and operational flexibility.

[REDACTED] STATISTICS

	Based on the [REDACTED] of HK\$[REDACTED] per Share	Based on the [REDACTED] of HK\$[REDACTED] per Share
[REDACTED] of our Share ⁽¹⁾	HK\$ [REDACTED]	HK\$ [REDACTED]
Unaudited [REDACTED] adjusted consolidated net tangible assets per Share ⁽²⁾	HK\$[REDACTED]	HK\$[REDACTED]

Notes:

- (1) The calculation of the [REDACTED] is based on [REDACTED] Shares expected to be in [REDACTED] immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised).
- (2) The unaudited [REDACTED] adjusted consolidated net tangible assets per Share is calculated after making the adjustments referred to in the section headed “Appendix II — Unaudited [REDACTED] Financial Information” to this document.

SUMMARY

[REDACTED] EXPENSES

The total estimated [REDACTED] expenses in connection with the [REDACTED] are approximately RMB[REDACTED] (equivalent to approximately HK\$[REDACTED]), representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED], assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED]) and the [REDACTED] is not exercised, and of which approximately RMB[REDACTED] is directly attributable to the [REDACTED] of the [REDACTED] which is expected to be accounted for as a deduction from equity upon the [REDACTED] in accordance with relevant accounting standards. The remaining estimated [REDACTED] expenses amount to approximately RMB[REDACTED], which is expected to be recognized as expenses. Such total estimated [REDACTED] expenses include (i) [REDACTED]-related expenses of RMB[REDACTED]; (ii) fees and expenses of legal advisers and reporting accountant of RMB[REDACTED]; and (iii) other fees and expenses of RMB[REDACTED].

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed “Glossary of Technical Terms” in this document.

“Accountants’ Report”	the accountants’ report of our Company, the text of which is set out in Appendix I to this document
“affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	The Accounting and Financial Reporting Council
“Articles” or “Articles of Association”	the articles of association of the Company conditionally adopted on June 13, 2026, which shall become effective on [REDACTED], as amended from time to time, a summary of which is set out in Appendix III to this document
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of our Board
“Board” or “Board of Directors”	the board of Directors
“Business Day” or “business day”	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
	[REDACTED]
“CAC”	the Cyberspace Administration of China (國家互聯網信息辦公室)
	[REDACTED]
“CIC”	China Insights Industry Consultancy Limited, an independent professional market research and consulting company
“CIC Report”	an independent market research report commissioned by us and prepared by CIC, a summary of which is set forth in the section headed “Industry Overview” for the purpose of this document
“close associates”	has the meaning ascribed thereto under the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Company” or “our Company”	Zhejiang New SORL Auto Parts Co., Ltd. (浙江新瑞立汽配股份有限公司), a limited liability company established in the PRC on January 7, 2016 and converted into a joint stock company with limited liability on June 12, 2026
“Company Law” or “PRC Company Law”	Company Law of the PRC (《中華人民共和國公司法》) as amended and supplemented or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and, in the case of our Company, means Mr. Zhang, Ms. Chi, Ruili Company, Ruili Ruiheng, Ruili Ruichuang, Xinruili No.1 and Ruili No.52
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code” or “CG Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“COVID-19”	novel coronavirus (COVID-19), a coronavirus identified as the cause of an outbreak of respiratory illness
“CSDCC”	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of our Company
“Domestic Unlisted Shares”	ordinary shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“EIT”	enterprise income tax
“EIT Law”	Enterprise Income Tax Law of the People’s Republic of China* (《中華人民共和國企業所得稅法》), as amended, supplemented or otherwise modified from time to time
“Employees Shareholding Platforms”	refers to collectively Xinruili No.1, Xinruili No.2, Xinruili No.3, Xinruili No.4, Xinruili No.5, Xinruili No.6, Xinruili No.7, Xinruili No.8, Xinruili No.9, Xinruili No.10, Xinruili No.11, Xinruili No.12, Xinruili No.13, Xinruili No.14 and Xinruili No.15
“ESG”	environmental, social and governance
	[REDACTED]
“Extreme Conditions”	the occurrence of “extreme conditions” as announced by the Hong Kong Government

DEFINITIONS

[REDACTED]

“Full-circulation Guidelines” Guidelines on Application for Full-circulation of Domestic Unlisted Shares of H-share Listed Companies (《H股公司境內未上市股份申請「全流通」業務指引》) issued by the CSRC on November 14, 2019, as amended, supplemented or otherwise modified from time to time

[REDACTED]

“Group”, “the Group”, “our Group”, “we”, “our” or “us” our Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time

“Guide for New Listing Applicants” the Guide for New Listing Applicants published by the Stock Exchange and as amended, supplemented or otherwise modified from time to time

“H Share(s)” overseas [REDACTED] foreign [REDACTED] ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, which are to be [REDACTED] for and [REDACTED] in Hong Kong dollars and for which an application has been made for the granting of [REDACTED], and permission to [REDACTED] in, on the Main Board of the Stock Exchange

[REDACTED]

“HK\$” or “Hong Kong dollars” or “HK dollars” Hong Kong dollars, the lawful currency of Hong Kong

[REDACTED]

DEFINITIONS

[REDACTED]

“Hong Kong” or “HK” the Hong Kong Special Administrative Region of the PRC

[REDACTED]

“Independent Third Party(ies)” or “independent third party(ies)” a person, persons, a company or companies which is or are independent of, and not our connected person(s) within the meaning under the Listing Rules

[REDACTED]

DEFINITIONS

“International Sanctions” any measures enacted by the Relevant Jurisdictions as trade or economic sanctions against foreign countries, governments, entities or persons by restricting the enacting jurisdictions’ nationals from making assets or services available, directly or indirectly, to them, dealing with their assets or otherwise conducting commercial transactions with them

“International Sanctions Legal Adviser” Jun He Law Offices LLC & JunHe LLP

[REDACTED]

“IT” information technology

“Latest Practicable Date” June 17, 2026, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication

[REDACTED]

“Listing Rules” the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time

“Main Board” the Main Board of the Stock Exchange

“MIIT” the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)

“MOFCOM” the Ministry of Commerce of the PRC (中華人民共和國商務部)

“Mr. Zhang” Mr. Zhang Xiaoping (張曉平), honorary chairman of our Board, non-executive Director of our Company and one of our Controlling Shareholders

“Ms. Chi” Ms. Chi Shuping (池淑萍), one of our Controlling Shareholders

“NDRC” the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)

“Nomination Committee” the nomination committee of our Company

DEFINITIONS

“OFAC” the United States Department of Treasury’s Office of Foreign Assets Control

[REDACTED]

“Overseas Listing Trial Measures” The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) released by CSRC on February 17, 2023 and became effective on March 31, 2023

“PRC,” “China” or “Chinese Mainland” the People’s Republic of China, excluding for the purposes of this document only, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

“PRC GAAP” generally accepted accounting principles of PRC

“PRC government” or “State” the Central People’s Government of the People’s Republic of China, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities or, where the context requires, any of them

“PRC Legal Advisers” JunHe LLP, the legal advisers to our Company as to PRC laws

“[REDACTED] Investment(s)” the investment(s) made by the [REDACTED] Investor(s) in our Company, details of which are set out in the section headed “History, Development and Corporate Structure — [REDACTED] Investments” in this document

“[REDACTED] Investor(s)” the [REDACTED] investor(s) of our Company, details of which are set out in the section headed “History, Development and Corporate Structure — [REDACTED] Investments” in this document

[REDACTED]

DEFINITIONS

“Primary Sanctioned Activity(ies)”	has the meaning ascribed to it under Chapter 4.4 of the Guide for New Listing Applicants, means any activity in a Sanctioned Country or (i) with; or (ii) directly or indirectly benefiting, or involving the property or interests in property of, a Sanctioned Target by the Company incorporated or located in a Relevant Jurisdiction (if applicable) or which otherwise has a nexus with such jurisdiction with respect to the relevant activity, such that it is subject to the relevant sanctions law or regulation
“document” or “Document”	this document being issued in connection with the [REDACTED]
“Regulation S”	Regulation S under the U.S. Securities Act
“Relevant Jurisdictions”	has the meaning ascribed to it under Chapter 4.4 of the Guide for New Listing Applicants, means any jurisdiction that is relevant to us and has sanctions-related law or regulation restricting, among other things, its nationals and/or entities which are incorporated or located in that jurisdiction from directly or indirectly making assets or services available to or otherwise dealing in assets of certain countries, governments, persons or entities targeted by such law or regulation, including the U.S., the European Union, United Kingdom, United Nations, Australia and China
“Remuneration Committee”	the remuneration committee of our Company
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Ruili Company”	Ruili Group Co., Ltd. (瑞立集團有限公司), a limited liability company established in the PRC on June 4, 1988 and one of our Controlling Shareholders
“Ruili Group”	Ruili Company and its subsidiaries and consolidated affiliated entities, excluding our Group
“Ruili No. 52”	Ruian Ruili No. 52 Equity Investment Partnership (Limited Partnership)* (瑞安市瑞立伍拾貳號股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on May 20, 2021 and one of our Controlling Shareholders
“Ruili Ruichuang”	Rui’an Ruili Ruichuang Equity Investment Co., Ltd.* (瑞安市瑞立瑞創股權投資有限公司), a limited partnership established in the PRC on May 8, 2021 and one of our Controlling Shareholders
“Ruili Ruiheng”	Zhejiang Ruili Ruiheng Equity Investment Co., Ltd.* (浙江瑞立瑞恒股權投資有限公司), a limited liability company established in the PRC on February 3, 2021 and one of our Controlling Shareholders
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), a PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable

DEFINITIONS

“SAMR”	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
“Sanctioned Country”	has the meaning ascribed to it under Chapter 4.4 of the Guide for New Listing Applicants, means any country or territory subject to a general and comprehensive export, import, financial or investment embargo under sanctions related law or regulation of the Relevant Jurisdiction
“Sanctioned Target”	has the meaning ascribed to it under Chapter 4.4 of the Guide for New Listing Applicants, means any person or entity (i) designated on any list of targeted persons or entities issued under the sanctions-related law or regulation of a Relevant Jurisdiction; (ii) that is, or is owned or controlled by, a government of a country subject to International Sanctions; or (iii) that is the target of sanctions under the law or regulation of a Relevant Jurisdiction because of a relationship of ownership, control, or agency with a person or entity described in (i) or (ii)
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
“SCNPC”	the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會)
“Securities Law”	the Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share(s)”	the ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, including our Domestic Unlisted Shares and H Shares
“Shareholder(s)”	holder(s) of the Shares

[REDACTED]

DEFINITIONS

[REDACTED]

“State Council”	State Council of the PRC (中華人民共和國國務院)
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Track Record Period”	the years ended December 31, 2023, 2024 and 2025

[REDACTED]

“United States”, “US” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. dollars”, “US\$” or “USD”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
“VAT”	value-added tax

[REDACTED]

“Xinruili No.1”	Rui’an Xinruili No.1 Equity Investment Partnership (Limited Partnership)* (瑞安市新瑞立壹號股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on May 8, 2021 and one of our Controlling Shareholders and one of our Employees Shareholding Platforms
“Xinruili No.2”	Rui’an Xinruili No.2 Equity Investment Partnership (Limited Partnership)* (瑞安市新瑞立貳號股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on May 8, 2021 and one of our Employees Shareholding Platforms
“Xinruili No.3”	Rui’an Xinruili No.3 Equity Investment Partnership (Limited Partnership)* (瑞安市新瑞立叁號股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on May 10, 2021 and one of our Employees Shareholding Platforms

DEFINITIONS

- “Xinruili No.4” Rui’an Xinruili No.4 Equity Investment Partnership (Limited Partnership)* (瑞安市新瑞立肆號股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on May 10, 2021 and one of our Employees Shareholding Platforms
- “Xinruili No.5” Rui’an Xinruili No.5 Equity Investment Partnership (Limited Partnership)* (瑞安市新瑞立伍號股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on May 10, 2021 and one of our Employees Shareholding Platforms
- “Xinruili No.6” Rui’an Xinruili No.6 Equity Investment Partnership (Limited Partnership)* (瑞安市新瑞立陸號股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on May 11, 2021 and one of our Employees Shareholding Platforms
- “Xinruili No.7” Rui’an Xinruili No.7 Equity Investment Partnership (Limited Partnership)* (瑞安市新瑞立柒號股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on May 14, 2021 and one of our Employees Shareholding Platforms
- “Xinruili No.8” Rui’an Xinruili No.8 Equity Investment Partnership (Limited Partnership)* (瑞安市新瑞立捌號股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on May 10, 2021 and one of our Employees Shareholding Platforms
- “Xinruili No.9” Rui’an Xinruili No.9 Equity Investment Partnership (Limited Partnership)* (瑞安市新瑞立玖號股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on May 14, 2021 and one of our Employees Shareholding Platforms
- “Xinruili No.10” Rui’an Xinruili No.10 Equity Investment Partnership (Limited Partnership)* (瑞安市新瑞立拾號股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on May 14, 2021 and one of our Employees Shareholding Platforms
- “Xinruili No.11” Rui’an Xinruili No.11 Equity Investment Partnership (Limited Partnership)* (瑞安市新瑞立壹拾壹號股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on May 11, 2021 and one of our Employees Shareholding Platforms
- “Xinruili No.12” Rui’an Xinruili No.12 Equity Investment Partnership (Limited Partnership)* (瑞安市新瑞立壹拾貳號股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on May 14, 2021 and one of our Employees Shareholding Platforms
- “Xinruili No.13” Rui’an Xinruili No.13 Equity Investment Partnership (Limited Partnership)* (瑞安市新瑞立壹拾叁號股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on May 14, 2021 and one of our Employees Shareholding Platforms

DEFINITIONS

“Xinruili No.14”	Rui’an Xinruili No.14 Equity Investment Partnership (Limited Partnership)* (瑞安市新瑞立壹拾肆號股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on May 14, 2021 and one of our Employees Shareholding Platforms
“Xinruili No.15”	Rui’an Xinruili No.15 Equity Investment Partnership (Limited Partnership)* (瑞安市新瑞立壹拾伍號股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on May 19, 2021 and one of our Employees Shareholding Platforms
“%”	per cent

Certain amounts and percentage figures included in this document have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

For ease of reference, the names of the PRC governmental authorities, institutions, facilities, certificates, titles, nationals, individuals, companies or entities, laws or regulations have been included in this document in both the Chinese and English languages and, in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are marked with “” and are provided for identification purposes only.*

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this document in connection with our Company and our business. The terminology contained in this glossary and their given meanings may not correspond to standard industry meaning or usage of these terms.

“5G”	a new generation of mobile communication technology characterized by high data transmission speed, ultra-low network latency and massive device connectivity
“AI”	artificial intelligence
“big data”	large and diverse data sets able to uncover hidden patterns, unknown correlations, market trends, customer preferences and other useful information assets under new processing model for greater decision-making power, insight and processing optimization capabilities
“CAGR”	compound annual growth rate
“Commercial Vehicle” or “CV”	motor vehicles designed and engineered primarily for commercial operations, including the transportation of passengers, goods, or the towing of trailers, operating as essential means of production
“CRM”	customer relationship management
“CX”	our store management system that supports the full sales process for all our operating stores nationwide
“EPCs”	electronic parts catalogs, meaning digital catalogs whose promotion and application have further enhanced the transparency of spare parts distribution and the traceability of product quality
“ERP”	enterprise resource planning, meaning digital management systems utilized by midstream commercial vehicle service providers to feed end-user behavior data back to upstream suppliers to optimize inventory management
“FOB”	free on board, an Incoterm under which the seller delivers goods on board a vessel nominated by the buyer at the named port of shipment with risk passing to the buyer once the goods are on board
“GMV”	gross merchandise volume, meaning the total transaction value of all goods sold within a specified period, including actual sales, returns and order cancellations
“IAM”	independent aftermarket, meaning a segment of the spare parts market providing cost-effective alternatives that end-users are increasingly adopting to substitute original equipment supplier (OES) parts

GLOSSARY OF TECHNICAL TERMS

"IoT"	internet of things, meaning digital technology whose continuous application in the commercial vehicle sector is shifting service models from traditional reactive repair to predictive maintenance (PdM)
"M&R"	maintenance and repair
"NEV"	new energy commercial vehicle
"OEM"	original equipment manufacturer and, in the context of our business, primarily refers to automotive manufacturers which assemble and install automotive parts into complete vehicles during the construction of a new vehicle
"OES"	original equipment supplier, meaning suppliers of original parts that are gradually being substituted by cost-effective independent aftermarket (IAM) parts due to end-users' strict requirements on operating cost control
"PdM"	predictive maintenance, meaning a service model that identifies potential fault risks in advance through real-time monitoring and analysis of vehicle operating status and key component data, thereby reducing unplanned vehicle downtime
"SaaS"	software as a service, meaning management tools used by commercial vehicle service providers to offer real-time SKU search and efficient warehousing and distribution support to downstream clients
"SAP ERP system"	an enterprise resource planning software system acted as an integrated business and financial back-office platform covering finance, procurement, sales and inventory management.
"SKU"	stock-keeping unit
"SRM"	supplier relationship management
"TCO"	total cost of ownership, meaning the total cost evaluated over the vehicle lifecycle, encompassing energy costs and certain maintenance expenditures, which logistics enterprises and end-users continuously aim to optimize
"TMS"	transportation management system
"TVO"	total value of ownership
"vehicle parc"	the total number of in-use commercial vehicles within a specific region or market at a given time, also referred to as vehicle fleet stock
"WMS"	warehouse management system

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements relating to our plans, objectives, expectations and intentions, which may not represent our overall performance for the periods of time to which such statements relate. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document.

You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing the Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business strategies and plans to achieve these strategies;
- changes to the political and regulatory environment in the industry and markets in which we operate;
- changes in our customers' preferences, demands and business performance;
- changes in competitive conditions and our ability to compete under these conditions;
- the actions and development of our competitors;
- future developments, trends and conditions in the industry and markets in which we operate;
- general economic, political and business conditions in the markets in which we operate;
- effects of the global financial markets and economic conditions;
- our future debt levels and capital needs;
- our financial conditions and performance;
- our dividend policy; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

In some cases, we use the words "aim," "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "going forward," "intend," "ought to," "may," "might," "plan," "potential," "predict," "project," "seek," "should," "will," "would" and similar expressions to identify forward-looking statements. In particular, we use these forward-looking statements in this document in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These forward-looking statements are based on assumptions and estimates and speak only as of the date they were made. We undertake no obligation to update or revise any forward-looking statements in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Our Directors confirm that the forward-looking statements are made after reasonable care and due consideration. Nonetheless, due to the risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect, or at all.

Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this document are qualified by reference to this cautionary statement.

RISK FACTORS

An [REDACTED] in our H Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an [REDACTED] in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could materially and adversely affect our business, financial condition, and results of operations. The [REDACTED] of our H Shares could significantly decrease due to any of these risks, and you may lose all or part of your [REDACTED].

Other risks and uncertainties that we are not currently aware of or that are not disclosed or implied below, or which we do not currently believe to be material, may also be detrimental to our business, financial condition and results of operations. You should consider our business and prospects in light of the challenges we face, including those discussed in this section. This document also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks described below and elsewhere in this document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We operate in a highly competitive commercial vehicle service market, and any failure to sustain our market position or keep pace with industry changes could materially and adversely affect our business, financial condition and future prospects.

We operate in the global commercial vehicle service market, focusing on auto parts supply chain services. According to CIC, the size of the commercial vehicle service markets in China reached RMB758.0 billion in 2025. The market is highly fragmented with numerous participants including OEM-authorized commercial vehicle service providers, independent regional commercial vehicle service providers and platform-based commercial vehicle service providers. Competitive factors in the market include large-scale SKU management and supply chain integration capabilities, digital infrastructure and multi-tier warehousing and distribution network, establishment of a unified service system and deep synergy across the industrial ecosystem and deep industry know-how and a multi-disciplinary talent pipeline. While we are among the leading market participants, the overall market concentration is still relatively low, and no single enterprise commands overwhelming market dominance. If we cannot effectively respond to competitive pressures, continuously improve our product and service offerings or maintain our competitive advantages, our market position may be weakened, which could materially adversely affect our business, financial condition and results of operations.

Competition may intensify as established competitors expand their product offerings, scale up their warehousing and logistics layout, and accelerate national network expansion, or as new specialized players enter our core and emerging regional markets. We compete with other market participants primarily based on comprehensive product coverage, stable supply chain capacity, nationwide warehousing and distribution network, brand influence, service responsiveness, pricing strategy and overall operational scale. Certain competitors, however, may possess long-established local market reputation, flexible regional operation mechanisms, abundant capital resources and entrenched local customer relationships, and may allocate substantial resources to network expansion, merchant recruitment and market promotion to narrow the gap with us.

In addition, we may face competition from new entrants and cross-industry participants seeking to capture market share in the commercial vehicle service market. Such emerging players may adopt aggressive pricing strategies, flexible credit policies and innovative channel cooperation models to expand rapidly, and may have specialized management experience, strong capital strength and acute insight into industry trends and policy changes. Increasing competitive pressure could adversely affect our revenue and profitability by squeezing product selling prices, compressing gross profit margins, forcing higher investment in network and service upgrade, and raising costs for customer retention and talent recruitment. Furthermore, our business model, network layout and operational mechanism may be replicated by competitors, which could gradually erode our differentiated competitive edges. If we fail to continuously upgrade our supply chain capabilities, optimize our network layout and maintain our market-leading advantages, intensified competition may have a material adverse impact on our business, results of operations and financial condition.

RISK FACTORS

Our business and growth prospects are susceptible to changes in customer demand and spending in the commercial vehicle service market.

Our business and growth are dependent on the customer demand and spending for commercial vehicle service in both domestic and overseas markets, which could be affected by many factors beyond our control, including:

- The number and age of commercial vehicles in the vehicle parc, as commercial vehicles of a certain age (typically older than three years) may no longer be under the OEM's warranties and tend to need more maintenance and repairs than newer commercial vehicles. This factor applies to both domestic and overseas markets where we operate, as the usage cycle and maintenance needs of commercial vehicles vary by region.
- Advances and changes in commercial automotive technology and parts design, including changes in engines and powertrains to hybrid and electric technology, and increased prevalence of intelligent driving and fleet management systems for commercial vehicles, may reduce collisions and needs for repairs and maintenance. These technological shifts have a global impact on the commercial vehicles service market, affecting both domestic and overseas customer demand for our products and services.
- Economic downturns in both domestic and overseas markets, as declining economic conditions may cause commercial vehicles operators to defer vehicle maintenance and repairs. In addition, economic weaknesses and uncertainty may cause changes in customer preferences, such as shifting to more cost-effective maintenance solutions. If such economic conditions persist for an extended period of time, this may result in customers making long-lasting changes to their spending behaviors in the commercial vehicle service market.
- Changes in commuting and transportation patterns may cause commercial vehicle operators to adjust their vehicle usage frequency. For instance, changes in logistics demand, urban transportation policies or regulations may lead to reduced commercial vehicle operation hours, thereby lowering the demand for maintenance and repair.
- Changes in governmental regulations in the commercial automotive sector across domestic and overseas market, including environmental protection laws, emission standard and vehicle safety regulations. These regulatory changes may require us to adjust our commercial vehicle parts supply and increase our costs.
- Changes in customer procurement willingness, consumption patterns and budget allocation could adversely affect our sales volume, pricing level and inventory turnover. If market demand contracts or customer spending declines persistently, our business performance, financial condition and future growth may be materially and adversely impacted.

Any harm to our brand or reputation could materially and adversely affect our business, market share and results of operations.

We believe that building a strong brand and reputation as a platform offering authentic and cost-effective products and standardized services is critical to our business and competitiveness. The brand recognition and reputation of our brand and the successful maintenance and enhancement of our brand and reputation have contributed and will continue to contribute significantly to our success and growth.

Any negative perception and publicity, whether or not justified, such as complaints and accidents in relation to customer experience, products and services offered through our platform, and our brand awareness and recognition, and actual or perceived deterioration of our product and service quality could tarnish our reputation and reduce the value of our brand, which may result in loss of customers. Further, our competitors may fabricate complaints or negative publicity about us, our employees, and our stores, for the purpose of vicious competition. With the increased use of social media, adverse publicity can be disseminated quickly and broadly, making it increasingly difficult for us to respond and mitigate effectively.

RISK FACTORS

We are also subject to negative publicity related to our cooperative partners, whose activities may be beyond our full control. Negative public perception on the products sold by cooperative partners, even if factually incorrect or based on isolated incidents, could undermine the trust and credibility we have established and adversely affect our ability to attract new downstream customers and retain existing customers.

We are exposed to concentration and counterparty risks from our largest supplier. Any disruption to or adverse change in such arrangements could materially and adversely affect our business, gross margins and results of operations.

We primarily purchase commercial vehicle parts from auto parts manufacturers. During the Track Record Period, our purchases from the largest supplier amounted to RMB1,650.0 million, RMB1,772.0 million and RMB1,597.4 million, respectively, for the years ended December 31, 2023, 2024, and 2025, accounting for 65.0%, 64.6% and 64.0% of our total purchases for the same years, respectively. Please refer to “Business — Procurement and Suppliers — Our Suppliers — Major Suppliers” in this document.

We cannot assure you that we will be able to maintain relationships with our major suppliers in the future. If any of these major suppliers decide to substantially reduce the supply or terminate their cooperation with us in the future, we may not be able to find suitable alternative suppliers in a timely manner, or at all, in order to guarantee the supplies to our business operations. Moreover, we cannot guarantee that our major suppliers will not have a change of business scope or business model or will continue to maintain their market position and reputation. Any material adverse change to the operation, financial performance or financial condition of our major suppliers may have negative impact on the quality of their products supplied to us, and therefore may affect our business operations and profitability. For example, if our suppliers cease to sell their products, or if the supply is disrupted or delayed, there can be no assurance that we will be able to find new suppliers with similar supply capacity on comparable commercial terms within a reasonable period of time, or at all. Should any of the above circumstances occur, our business, financial condition, results of operations and profitability may be adversely affected.

Our joint venture and cooperation arrangements with local public transport enterprises may not be sustained or expanded as expected, and may expose us to risks relating to corporate governance, operational integration, compliance and related party transactions.

As local public transport enterprises are often subject to local government policies, regulatory requirements and public service obligations, their strategic priorities, business plans or resource allocation may change over time, which could lead to the suspension, termination or scaling back of our joint venture or cooperation arrangements, even if such arrangements have been initially agreed upon. For instance, changes in local public transport planning, budget adjustments, or shifts in government priorities regarding public service procurement may result in our cooperative partners being unable to fulfill their agreed obligations, or deciding to discontinue cooperation with us, which would prevent us from achieving the expected business objectives, such as expanding our market presence in the local commercial vehicle service market or securing stable orders for auto parts supply.

In terms of corporate governance risks, joint ventures with local public transport enterprises may involve different management philosophies, decision-making processes and operational priorities between the two parties. Disputes or disagreements between us and our cooperative partners regarding business strategies, resource allocation, profit distribution, or day-to-day operations could hinder the effective operation of the joint venture, delay project implementation, or even lead to the dissolution of the cooperative relationship. Operational integration risks may also arise, as our existing business model, supply chain system, service standards and operational processes may differ from those of local public transport enterprises. Difficulties in aligning these elements, such as integrating our auto parts supply network with the maintenance needs of public transport fleets, or coordinating service timelines and quality standards, could reduce operational efficiency, increase costs, and negatively impact the quality of services provided to end customers.

RISK FACTORS

In addition, cooperation with local public transport enterprises may involve compliance with a wide range of regulations, including those related to public procurement, government subsidies, and anti-corruption. Any failure to comply with such regulations, whether by us, our cooperative partners, or both, could result in fines, penalties, reputational damage, or even the termination of the cooperation arrangement. If the pricing of products or services provided under the cooperation arrangement is not set on an arm's length basis, we may face challenges in demonstrating the fairness of such transactions to regulators.

Any of these risks could have a material adverse impact on our business, financial condition, results of operations and growth prospects.

Failure to maintain effective cash flow management may have an adverse effect on our business operations and financial condition.

For the years ended December 31, 2023 and 2024, we recorded net cash generated from operating activities of RMB106.7 million and RMB159.1 million, respectively. For the year ended December 31, 2025, we recorded net cash used in operating activities of RMB23.1 million. Our net cash outflows in 2025 are mainly attributable to expanded use of bills payables to settle amounts due to third-party suppliers in 2024, which matured in 2025. While this specific cash outflow was the result of a timing difference between the issuance and maturity of bills payables, similar fluctuations may occur in the future if we increase our reliance on bills payables for supplier settlements, or if our ability to obtain favorable settlement arrangements deteriorated. In such cases, cash outflows could become concentrated in certain periods when those bills payables mature, potentially leading to recurring operating cash flow deficits. Our negative operating cash flows could adversely affect our operations by reducing the amount of cash available to meet the cash needs for operating our businesses and fund our investments in our business innovation and expansion. If our future operating cash flows fails to improve to sufficiently cover our overall cash needs, we will have to rely on external debt or equity financing, and we cannot assure you that we will be able to obtain external financing in amounts or on terms acceptable to us, if at all.

We are exposed to credit risk from customers to whom we offer payment terms, and any delay or failure in collection could adversely affect our cash flow and results of operations.

Our trade and bills receivables primarily represent outstanding balances due from domestic public transport enterprises and overseas business partners, to whom we offer payment terms. We are exposed to credit risk related to delays in payment of our customers. Such payment delays may require us to recognize additional provisions for expected credit losses. As of December 31, 2023, 2024 and 2025, our trade and bills receivables amounted to RMB543.8 million, RMB517.5 million and RMB566.6 million, respectively. We recognized the allowance for expected credit losses for trade and bills receivables, which is calculated based on the differences between the contractual cash flows due in accordance with the contract and all the cash flows that we expect receive, discounted at an approximation of the original effective interest rate. We may continue to incur expected credit losses in the future, which could materially and adversely affect our results of operations and financial position.

We may not be able to collect all, or at all, of our trade and bills receivables due to factors beyond our control, such as adverse operating conditions or financial conditions of our customers, despite our efforts to conduct credit assessment on them. Notwithstanding that we had recorded loss allowances on our trade and bills receivables, if we are not able to manage the credit risk associated with our trade and bills receivables, our cash flow and results of operations may be materially and adversely affected.

Supply chain shortages and interruptions, fluctuations in prices and our relationship with suppliers could adversely affect our results of operations.

We and our stores are dependent upon frequent deliveries of auto parts that meet our quality specifications. Shortages or interruptions in the supply caused by unanticipated demand, problems in production or distribution, acts of terrorism, financial or other difficulties of suppliers, labor actions, inclement weather, natural disasters such as floods, drought and hurricanes, outbreak of disease, or other conditions could adversely affect the availability, quality and cost of supplies for such products, which could lower our revenues, increase operating costs, damage brand reputation or otherwise harm our business. Such shortages or interruptions could also reduce our profit margins, which may in turn materially and adversely affect our business and results of operations.

RISK FACTORS

We are subject to risks relating to the warehousing and logistics of our products.

We maintain self-operated warehousing facilities domestically for the storage of our commercial vehicle parts and related inventory. For overseas markets, we generally deliver products to our local business partners on an FOB basis. Our warehousing arrangements are subject to inherent operational and inventory management risks arising from daily storage, facility maintenance and standard operational safety requirements.

We also engage third-party logistics service providers to deliver our products for part of our overall logistics arrangements. We do not have full direct control over the operational arrangements of these third-party service providers. Logistics arrangements may be disrupted by events beyond our reasonable control or the control of our logistics providers, including epidemics, adverse weather conditions, natural disasters, transportation interruptions and labor unrest or labor shortage.

In addition, vehicles and personnel engaged by third-party logistics providers may be involved in traffic accidents, which could result in loss, damage or destruction of our products. We may also face potential liabilities in connection with personal injury or property damage arising from such incidents. Any disruption to the operations of our third-party logistics partners may affect the timely delivery of our products.

Late delivery may adversely affect the daily operations of our customers for vehicle maintenance services, which may in turn have a negative impact on our brand image and market reputation. Delivered products that are found damaged may be returned by our customers, who may also seek refunds from us and weaken their confidence in us.

In the event that the services of any of our third-party logistics providers are disrupted or terminated, there can be no assurance that we will be able to source alternative qualified logistics service providers promptly on commercially acceptable terms. Any of the above factors may materially and adversely affect our business, reputation, financial conditions and results of operations.

Our success depends on the continuing efforts of our senior management and key employees. If we are unable to recruit, train and retain senior management and key personnel, our business, financial condition and results of operations may be materially and adversely affected.

Our future success is significantly dependent upon the continued service of our senior management and other key employees. If we lose their service, we may not be able to locate suitable or qualified replacements and may incur additional expenses to recruit and train new staff, which could severely disrupt our business and growth. Our management members are critical to our vision, strategic direction, culture and overall business success. If there is any internal organizational structure change or change in responsibilities for our management or key personnel, or if one or more of our senior management members were unable or unwilling to continue in their present positions, the operation of our business and our business prospects may be adversely affected.

There can be no assurance that we will be able to retain our management and key employees, who may resign to pursue alternative career opportunities. Although we have entered into confidentiality and non-competition agreements with our management, we cannot guarantee that such members will not join competitors or establish competing businesses. Should any disputes arise with current or former officers over the enforcement of such agreements, we may incur substantial legal and related costs in seeking enforcement in China, and there is no certainty that such agreements can be fully enforced.

Our operating stores may face difficulties in recruiting, training and retaining qualified frontline personnel, which may materially and adversely affect our operations and business growth.

The operation of our stores requires skilled service personnel, while trained and experienced commercial vehicle field personnel may be in high demand and short supply at competitive compensation levels in some areas, which may result in increases in labor costs. From time to time, our operating stores may experience difficulty hiring and retaining such qualified personnel. Any such future difficulties could materially and adversely affect our revenues, results of operations, business, and financial condition.

RISK FACTORS

Failure to manage inventory at optimal levels could adversely affect our business, financial condition, and results of operations.

Our inventories primarily consist of finished products, goods in transit and raw materials arising from our ordinary course of business. For the years ended December 31, 2023, 2024 and 2025, our inventory turnover days was 92 days, 81 days and 84 days, respectively. We depend on demand forecasts for our products to make procurement plans and manage our inventory. Our forecast for demands, however, may not accurately reflect the actual market demands, which depends on a number of factors including launches of new products, changes in lifecycles and pricing, product defects, changes in customer spending patterns, and other suppliers/manufacturers-related issues, as well as the volatile economic environment in China. We cannot assure you that we will be able to maintain proper inventory levels for our business at all times, and any such failure may have a material and adverse effect on our business, financial condition and results of operations.

Inventory levels in excess of customer demand may result in inventory write-downs, expiration of products or an increase in inventory holding costs and a potential negative effect on our liquidity. If we fail to manage our inventory effectively, we may be subject to heightened risk of inventory obsolescence, a decline in inventory values, and significant inventory write-downs or write-offs. In addition, we may be required to lower sale prices in order to reduce inventory level, which may lead to lower gross margins. High inventory levels may also require us to commit substantial capital resources, preventing us from using that capital for other important purposes. Any of the above may materially and adversely affect our results of operations and financial condition.

Conversely, if we underestimate customer demand or if we experience faster-than-expected growth, or if our suppliers fail to provide products to us in a timely manner, we may experience inventory shortages. Such shortages could, in turn, require us to procure products at higher costs, result in unfulfilled user orders, and materially and adversely affect our financial condition and results of operations.

Failure to obtain, renew, or retain licenses, permits or approvals may affect our ability to conduct or expand our business.

We are required to obtain certain licenses, approvals and permits from various government authorities in the jurisdictions in which we operate. In addition to such licensing requirements, our business must comply with various laws and regulations in such jurisdictions as well. Such regulatory frameworks are subject to change, which may lead to new laws, regulations, and requirements, while existing ones may be reinterpreted or modified. Consequently, we may need to obtain additional licenses, approvals, permits and certifications for our ongoing operations or any new business ventures. However, we cannot guarantee that we will always successfully secure all the necessary licenses, approvals and permits as regulatory bodies may interpret the laws and regulations differently, nor can we guarantee that government authorities will consistently act in our favor using their discretionary powers. Therefore, any failure to obtain, renew or retain such licenses, approvals or permits may materially and adversely affect our business operations and financial condition.

Increases in labor costs in the PRC and incidents relating to PRC labor-related laws and regulations may materially and adversely affect our business and our margin profile.

China’s overall economy and the average wage have increased in recent years and are expected to continue to grow. The average wage level for our employees has also increased in recent years. We expect that our labor costs, including wages and employee benefits, will continue to increase. Unless we are able to pass on these increased labor costs to our customer who pay for our products and services, our margin profile and results of operations may be materially and adversely affected. Further, pursuant to the PRC Labor Law, the Labor Contract law, and its implementation rules, employers are subject to various requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employees’ probation and unilaterally terminated labor contracts. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the Labor Contract Law and its implementation rules may limit our ability to affect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations.

RISK FACTORS

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 required by the relevant PRC laws and regulations. As a result, we may be required to make additional contributions to social insurance fund and/or housing provident fund and pay late payments and fines under PRC laws and regulations. As of the Latest Practicable Date, we had not received any order to settle the shortfall from the relevant regulatory authorities with respect to our social insurance and housing provident fund contributions. However, we cannot assure you that we will not be subject to any order to rectify this in the future. Any such order may adversely affect our business, financial condition and results of operations.

Our business is subject to a certain level of seasonality.

The commercial vehicle service market exhibits a certain level of seasonality, with vehicle maintenance and servicing demand typically reaching its peak from March to April as well as from September to October each year. Such peak demand is mainly driven by regular fleet upkeep arrangements, under which fleet operators arrange comprehensive vehicle inspections, parts replacement and routine maintenance amid seasonal transitions. During off-peak seasons, market demand for maintenance services is relatively sluggish. As a result, our operating results are subject to periodic fluctuations, and our financial performance may be adversely affected during low-demand periods.

Any disruption to our digital operating systems and resulting interruptions in the availability of our websites, applications, platforms, or services could adversely affect our business and results of operations.

The satisfactory performance, reliability and availability of our digital operating systems are critical to our success. These integrated systems support the smooth performance of certain key functions of our business. However, our technology systems or infrastructure may not function properly at all times. We may be unable to monitor and ensure high-quality maintenance and upgrade of our technology systems and infrastructure, and users may experience service outages and delays in accessing and using our operation systems as we seek to source additional capacity. We had not experienced any material adverse incident on our technology systems during the Track Record Period. However, any disruption to our technology systems and resulting interruptions in the availability of our website, applications, platform or services could adversely affect our business and results of operations.

Our technology systems may also experience telecommunications failures, computer viruses, failures during the process of upgrading or replacing software, databases or components, power outages, hardware failures, user errors, or other attempts to harm our technology systems, which may result in the unavailability or slowdown of our platform or certain functions, delays or errors in transaction processing, and loss of data. Further, hackers, acting individually or in coordinated groups, may also launch distributed denial-of-service attacks or other cyber-attacks, which could result in service outages and business disruptions. Any of such occurrences could cause severe disruption to our daily operations. If we cannot successfully execute system maintenance and repair, our business and results of operations could be adversely affected and we could be subject to liability claims.

Failure to renew our current leases or locate desirable alternatives for our facilities could materially and adversely affect our business.

We lease properties to operate a majority of our offices, warehouses and operating stores. We may not be able to successfully extend or renew such leases upon expiration, on commercially reasonable terms or at all, and may be forced to relocate the affected operations. Such relocation may disrupt our operations and results in significant relocation expenses, which could adversely affect our business, financial condition and results of operations. We may not be able to locate desirable alternative sites for our facilities as our business continues to grow and failure in relocating our operations when required could adversely affect our business and operations. In addition, we compete with other businesses for premises at certain locations or of desirable sizes. Even if we are able to extend or renew the respective leases, rental payments may significantly increase as a result of the high demand for the leased properties.

Risks associated with our certain leased properties in the PRC may adversely affect our business, financial condition and results of operations.

As of the Latest Practicable Date, our certain leased properties in the PRC have title defects, which were mainly due to the failure of the relevant lessors to provide title certificates,

RISK FACTORS

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. If our lessors are unable to obtain the corresponding title certificates, our leases for such properties could be invalidated. If this occurs, we may have to renegotiate the leases with the owner or the parties who have the right to lease the properties, and the terms of the new leases may be less favorable to us. As of the Latest Practicable Date, we are not aware of any claims or actions being contemplated or initiated by government authorities, property owners or any other third parties with respect to our leasehold interests in or use of such properties. However, we cannot assure you that our use of such leased properties will not be challenged in the future. In the event that our use of properties is challenged, we may face claims from the owners or other third parties and may be required to vacate and relocate from the affected properties, which could result in additional costs and disruptions to our operations.

As of the Latest Practicable Date, some of our lease agreements had not been registered with the relevant government authorities in the PRC. The relevant authorities may require us to complete lease registration within a specified timeframe and impose fines ranging from RMB1,000 to RMB10,000 per lease agreement for any delay in complying with such requirement. As of the Latest Practicable Date, we have not been imposed any administrative penalties due to the non-registration of lease agreements. However, we cannot assure you that the relevant authorities will not impose penalties for failure to register these lease agreements in the future. Any such penalties could adversely affect our business, financial position and results of operations.

We may be subject to product defects or other quality issues and product liability exposure.

We may receive defective products or products of substandard quality. Defects in products could result in personal injury and property damage and may give rise to claims against us for losses and expose us to claims for damages. There can be no assurance that the insurance held by us will be adequate to cover the associated risks of the sale and use of defective products.

We had not been subject to any material incidents, penalties or litigations related to product defects during the Track Record Period. No product recall occurred during the Track Record Period and up to the Latest Practicable Date. In the event that product liability arises, sales of such products could expose us to product liability claims relating to personal injury or property damage, and may require product recalls, product returns, product replacements or other actions. Third parties subject to such injury or damage may bring claims or legal proceedings against us as a supply chain service provider. Although we would have legal recourse against the manufacturers of such products under PRC law, attempts to enforce our rights against the manufacturers may be expensive, time-consuming and ultimately futile. To the extent such liability is either not covered by our insurance or exceed the policy limits, the aggrieved parties could seek to recover their losses from us, regardless of our legal or contractual entitlement. This could increase our litigation costs and expose us to material liabilities. Additionally, our credibility and market reputation could be harmed and our results of operations and market share may be adversely affected.

The expansion of our international operations may expose us to additional regulatory, economic and political risks, failure to handle which may adversely affect our business, results of operations and financial condition.

We have established a global presence, with our products sold to approximately 100 countries and regions. For the years ended December 31, 2023, 2024 and 2025, our total revenue derived from overseas amounted to RMB992.2 million, RMB951.7 million and RMB877.3 million, respectively, accounting for 37.0%, 35.0% and 35.0% of our total revenue, respectively, during the same years. The overseas markets are characterized with challenges in economic conditions and political and regulatory uncertainties, which could seriously hinder our sales.

The demand for our commercial vehicle parts is also highly dependent on the economic conditions of the markets that we operate in. If any of our major markets experience political or economic instability or depreciation of local currencies, the demand for our products may drop and our business may be materially and adversely affected.

RISK FACTORS

We rely on third-party distributors for market coverage and product sales, and any failure in their performance or alignment with our policies could adversely affect our sales and brand reputation.

We rely on a network of third-party distributors to promote and sell our products. These distributors are particularly important in markets or regions where it is not feasible for us to maintain dedicated sales teams due to cost or geographic constraints, especially in overseas markets. We cannot fully control their daily operations, customer engagement practices, or compliance with our brand and pricing policies. Distributors may, intentionally or unintentionally, engage in practices that result in unauthorized activities, regional channel conflicts, or brand dilution, any of which could disrupt our market order and customer relationships.

In addition, our distributors are also generally responsible for downstream customer communications, technical support coordination, and after-sales services. Any underperformance, negligence, or misconduct by such parties may negatively affect customer satisfaction and damage our reputation, even if the root cause is unrelated to our products. Disputes may also arise over payment settlements, product return, or allocation of market responsibilities. If we fail to effectively manage and monitor our distributor network or replace underperforming distributors in a timely manner, our ability to maintain consistent sales growth, customer satisfaction, and brand integrity may be materially and adversely affected.

We have granted options and may in the future grant options, restricted share units and other types of awards under our share incentive plan, which may result in increased share-based compensation.

We expect to incur substantial share-based compensation expenses in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations. Further, we may re-evaluate the vesting schedules, lock-up period, exercise price or other key terms applicable to the grants under our equity incentive plan from time to time. If we choose to do so, we may experience substantial change in our share-based compensation charges in the reporting periods following the [REDACTED].

We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly disrupt our operations.

Our business could be materially and adversely affected by natural disaster, health epidemics or other public safety concerns affecting China and the globe. Natural disasters may give rise to severe operational interruptions, system breakdowns, and failures of our technology platform and internet infrastructure, which could cause data loss or corruption, software and hardware malfunctions, and adversely affect our ability to operate our platform and provide services. In recent years, there have been outbreaks in China and globally, such as COVID-19, H1N1 flue, and other infectious disease epidemics, which may disrupt our operations. In addition, our results of operations could be adversely affected to the extent that any health epidemic harms the Chinese economy in general. A prolonged outbreak of any such diseases or other adverse public health events in China or globally could materially disrupt the commercial vehicle service industry, adversely affecting our business operations, financial condition and results of operations.

Insurance coverage for our business, products and properties may not be sufficient to protect us from potential losses.

We maintain certain insurance policies to safeguard us against risks and unexpected events, including vehicle insurance, product liability insurance, employee insurance, transportation insurance and export credit insurance. We provide social security insurance including pension insurance, unemployment insurance, work-related injury insurance, maternity insurance and medical insurance for our employees in compliance with applicable PRC laws. We do not maintain business interruption insurance. We consider our insurance coverage to be sufficient for our business operations in China. However, we cannot assure you that our insurance coverage is sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

RISK FACTORS

We are subject to risks relating to the third-party payment arrangements.

During the Track Record Period, certain customers settled payments with us through accounts belonging to certain third parties designated by such customers. For further details, please refer to the section headed “Business — Customers and Pricing Policy — Third-party Payment Arrangements” in this document. We faced various risks related to such arrangements, including: (i) third-party payors who are not contractually obligated debtors may seek to reclaim funds from us; (ii) potential risks arising from our limited understanding of the source of funds by third-party payors; and (iii) claims that may be made by the liquidators of third-party payors. If any claims are made by the relevant parties, or if any legal proceedings are initiated or brought against us regarding any third-party payments, we may need to allocate additional financial and management resources to address these claims or legal proceedings, which could adversely affect our business and financial performance.

Stores in our network are subject to certain environmental laws and regulations.

Certain activities of our stores involve the handling, storage, transportation, recycling, or disposing of various new and used products, which may generate solid and hazardous wastes. These business activities are subject to stringent laws and regulations governing the storage and disposal of these products and waste, the release of materials into the environment or otherwise relating to environmental protection. These laws and regulations may impose numerous obligations upon our stores’ operations, including the acquisition of permits to conduct regulated activities, the imposition of restrictions on where or how to store and handle new products and to manage or dispose of used products and wastes, the incurrence of capital expenditures to limit or prevent release of such material, the imposition of substantial liabilities for pollution resulting from our stores’ operations, and costs associated with health claims from service personnel.

In addition, environmental laws and regulations have generally imposed further restrictions on our operations, which may result in significant additional costs to our business. Failure to comply with these laws, regulations, and permits may result in the assessment of administrative, civil, and criminal penalties, the imposition of remedial and corrective action obligations, and the issuance of orders limiting or preventing operation of our stores. Any adverse environmental impact on our operations, including the imposition of a penalty or order, could materially and adversely affect our business and results of operations.

RISKS RELATING TO DOING BUSINESS IN THE COUNTRIES AND REGIONS WHERE WE OPERATE

Changes in the economic, political or social conditions or government policies in the countries and regions where we operate, including economic downturns and deteriorating geopolitical environment, could affect our business, financial condition and results of operations.

A substantial portion of our assets and operational facilities are located in the PRC, while our business also maintains a sizeable overseas revenue base. For the years ended December 31, 2023, 2024 and 2025, our revenue generated from the PRC accounted for approximately 63.0%, 65.0% and 65.0% of our total revenue, respectively, whereas our overseas revenue contributed 37.0%, 35.0%, 35.0%, of our total revenue for the same years, respectively. We operate our business in approximately 100 countries and regions globally. Accordingly, our business, financial condition and results of operations could also be influenced by political, economic and social conditions in these markets. Economic growth in each of our geographic markets has been uneven, both geographically and among various sectors within any one of the relevant economies. Any economic downturn, whether actual or perceived, further decrease in economic growth rates or an otherwise uncertain economic outlook in our geographic markets or any other market in which we may operate could affect our business, financial condition and results of operations. Changes in the economic or political environment could increase our costs, increase our exposure to legal and business risks, disrupt our operations and affect our results of operations.

Any uncertainties embedded in the legal systems of certain geographic markets where we operate could affect our business, financial condition and results of operations.

Legal systems of the geographic markets where we operate vary significantly from jurisdiction to jurisdiction. Some jurisdictions have a civil law system based on written statutes and others are based on common law. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value.

RISK FACTORS

We are subject to certain uncertainties embedded in the legal systems of some geographic markets where we operate. Laws and regulations that are recently enacted may not sufficiently cover all aspects of economic activities in such markets. In particular, the interpretation and enforcement of these laws and regulations are subject to future implementations, and the application of some of these laws and regulations to our businesses is not settled. Since local administrative and court authorities are authorized to interpret and implement statutory provisions and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we have in many of the geographic markets where we operate. Local courts may have discretion to reject enforcement of foreign awards or arbitration awards. These uncertainties may affect our judgment on the relevance of legal requirements and our ability to enforce our contractual rights or claims. In addition, the regulatory uncertainties may be exploited through unmerited or frivolous legal actions, claims concerning the conduct of third parties, or threats in attempt to extract payments or benefits from us.

Furthermore, many of the legal systems in the geographic markets where we operate are based in part on their respective government policies and internal rules, some of which are not published on a timely basis or at all and may have retroactive effects. There are other circumstances where key regulatory definitions are unclear, imprecise or missing, or where interpretations that are adopted by regulators are inconsistent with interpretations adopted by a court in analogous cases. As a result, we may not be aware of our violation of certain policies or rules until sometime after the violation. In addition, administrative and legal proceedings in certain of our geographic markets may be protracted, resulting in substantial costs and diversion of resources and management attention.

It is possible that a number of laws and regulations may be adopted or construed to be applicable to us in our geographic markets and elsewhere that could affect our businesses and operations. Scrutiny and regulations of the industries in which we operate may further increase, and we may be required to devote additional legal and other resources to addressing these regulations. Changes in current laws or regulations or the imposition of new laws and regulations in our geographic markets may slow the growth of the telecom industry and affect our business, financial condition and results of operations.

Our international operations are exposed to risks related to export control, international sanctions and tariff.

As we continue to expand our global footprint, our business operations and financial performance could be influenced by international trade policies, trade protection measures, export controls, economic sanctions, and tariff policies. These policies and regulations are subject to frequent changes and uncertainties, often driven by political, economic, and social factors beyond our control.

While our risks related to export control and international sanctions are remote, our international operations may be affected by local political and economic conditions and broader geopolitical factors. We actively monitor regulatory changes and have implemented measures to ensure compliance with export controls and sanctions laws in the jurisdictions in which we operate. However, given the complexity and evolving nature of these regulatory frameworks, we cannot assure that we will be able to anticipate or mitigate all such risks as we pursue global operations and expansion. Any failure to effectively manage these challenges could adversely affect our business operations and financial performance.

Beginning in early in 2025, the United States implemented a series of tariff measures, including reciprocal tariffs on global trading partners. Specifically, in April 2025, the United States imposed a 145% tariff on Chinese goods, except for certain consumer electronics produced in China, on which the tariff was lowered to 30% until November 10, 2025. 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%. On February 20, 2026, the U.S. Supreme Court officially ruled that the U.S. reciprocal tariffs are unconstitutional. On March 4, 2026, a related court order further required Customs and Border Protection to establish systems to process reciprocal tariff refunds. The first phase of such refund processing system was launched in April 2026. The ultimate scope, duration, and legal status of these tariff measures remain subject to ongoing judicial proceedings, potential legislative action, and executive policy developments, and there can be no assurance as to the final outcome. During the Track Record Period, the direct

RISK FACTORS

operational impact of the foregoing tariff measures on our business was limited. Our export activities were generally conducted under the FOB term. Therefore, even if there were changes in tariff rates, import duties and tariffs on goods following delivery to the named port were for the account of our customers. Also, we purchased materials only from domestic suppliers, and we did not purchase any goods or materials originating in the United States during the Track Record Period. As a result, we were not directly subject to the U.S. tariffs on Chinese-origin goods during such period.

Notwithstanding the above, 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 that may apply to our products or product categories. Any such future measures, if applied to our products, the resulting tariff costs could indirectly affect customer demand for our products. We note, however, that this risk is not unique to us and would similarly affect other upstream suppliers of comparable products in our industry, and our operations have not experienced any material adverse impact from U.S. tariffs to date.

Certain of our foreign exchange transactions are subject to regulatory requirements over foreign currency conversion.

Certain of our business transactions, primarily overseas sales, generate substantial foreign currency income and expose us to PRC foreign exchange regulatory requirements and exchange rate fluctuations.

Conversion, remittance and settlement of foreign currencies are governed by PRC foreign exchange regulations, and there can be no assurance that we will always have sufficient available foreign exchange or be able to access it on favorable terms at any given exchange rate to meet our overseas payment, dividend distribution and other foreign currency obligations. Under the current PRC foreign exchange regulatory system, current account foreign exchange transactions arising from our ordinary course of business, including export proceeds collection and dividend payments, do not require prior approval from the SAFE, but we are required to provide supporting transaction documents and conduct such transactions through duly licensed designated foreign exchange banks in the PRC. By contrast, capital account foreign exchange transactions are generally subject to SAFE approval or registration unless otherwise exempted under applicable rules.

Insufficient foreign exchange liquidity or delays in obtaining relevant SAFE approvals may constrain our ability to allocate foreign currency for shareholder dividend payments, offshore capital expenditure and other foreign currency liabilities, which may adversely affect our offshore investment and business plans. Any non-compliance with applicable foreign exchange regulations may also result in administrative penalties, fines and reputational harm to our business.

We may be subject to additional regulatory requirements relating to new laws and regulations in connection with overseas securities offering and listing issued by PRC government authorities.

On February 17, 2023, the CSRC issued the Trial Measures for the *Administration on Overseas Securities Offering and Listing by Domestic Companies* (《境內企業境外發行證券和上市管理試行辦法》) and five supporting guidelines, which had become effective on March 31, 2023 (the “**Overseas Listing Regulations**”). The Overseas Listing Regulations are applicable to overseas securities offering and listing conducted by issuers who are (i) companies incorporated in the PRC (“**PRC domestic companies**”) and (ii) companies incorporated overseas with substantial operations in the PRC. The Overseas Listing Regulations lay out the arrangements for regulatory filings for both direct and indirect overseas offerings, and clarify the determination criteria for indirect overseas offerings in overseas markets. For details, please refer to “Regulatory Overview — Laws and Regulations on Securities and Overseas Listings” in this document. The Overseas Listing Regulations, or any pertinent rules or regulations promulgated in the future, may subject us, or our financing activities, to additional compliance requirements in the future. Any failure on our part to fully comply with the new regulatory requirements may significantly limit or completely hinder our future financing activities.

Our payment of dividends is subject to restrictions under PRC law.

Under the PRC laws, dividends may be paid only out of distributable profits. Distributable profits are defined as our profits after taxes as determined under PRC GAAP

RISK FACTORS

less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient, if any, distributable profits to enable us to make dividend distributions to our Shareholders in the future, including periods for which our financial statements indicate that our operations have been profitable. Any distributable profits not distributed in a given year are retained and available for distribution in subsequent years.

Moreover, because the calculation of distributable profits under PRC GAAP is different from the calculation under HKFRS in certain respects, our subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under HKFRSs, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our subsidiaries to pay dividends to us could have a negative impact on our cash flows and our ability to make dividend distributions to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

Our operations are subject to, and may be affected by, changes in tax laws and regulations in the countries and regions where we operate.

The PRC EIT Law imposes a tax rate of 25% on business enterprises. Some of our subsidiaries are entitled to preferential tax treatment. Please refer to “Financial Information — Key Components of Our Consolidated Statements of Profit or Loss — Income Tax Expenses” in this document. To the extent there are any changes in the laws and regulations governing preferential tax treatment, or increases in our effective tax rate due to any other reasons, our tax liability would increase correspondingly. In addition, the PRC government may amend or restate regulations on income, withholding, value-added, and other taxes. Non-compliance with the PRC tax laws and regulations may also result in penalties or fines imposed by relevant tax authorities. Adjustments or changes to PRC tax laws and regulations and tax penalties or fines could affect our businesses, financial condition and results of operations.

We may also be subject to taxes in countries and regions overseas. Please refer to “Financial Information — Key Components of Our Consolidated Statements of Profit or Loss — Income Tax Expenses” in this document. Due to the fact that the tax environment can be different in different jurisdictions and that the regulations regarding various taxes, including corporate income tax, are complex, our international operations may expose us to risks associated with the overseas tax policy changes. Dealing with such regulatory complexities and changes may require us to divert more managerial and financial resources, which in turn could affect our results of operations.

Non-PRC Holders of our H Shares may be subject to PRC income tax obligations.

Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the PRC and a non-PRC investor’s jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to investors that are non-PRC resident enterprises, which do not have an establishment or place of business in the PRC, or which have an establishment or place of business in the PRC if the relevant income is not effectively connected with such establishment or place of business. Any gains realized on the transfer of shares by such investors are subject to a 10% PRC income tax rate if such gains are regarded as income from sources within the PRC unless a treaty or similar arrangement provides otherwise.

Under the *PRC Individual Income Tax Law* (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within the PRC paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to a 20% PRC income tax rate, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws. Pursuant to the *Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045* (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) (國稅函[2011]348號) dated June 28, 2011, issued by the SAT, dividends paid to non-PRC resident individual holders of our H Shares are generally subject to individual income tax of the PRC at the withholding tax rate of 10%, depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the non-PRC

RISK FACTORS

resident individual holder of H Shares resides as well as the tax arrangement between the PRC and Hong Kong. Non-PRC resident individual holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20% withholding tax on dividends received from us. However, pursuant to the *Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares* (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF of the PRC and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. In addition, on December 31, 2009, the MOF, the SAT and the CSRC jointly issued the *Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation* (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167) which states that individuals’ income from the transfer of listed shares on certain domestic exchanges shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restrictions as defined in the *Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of the Listed Shares Subject to Sales Limitations* (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70). As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges. To our knowledge, in practice, the PRC tax authorities have not sought to collect individual income tax from non-PRC resident individuals on gains from the transfer of listed shares of PRC resident enterprises on overseas stock exchanges. However, there is no assurance as to whether further implemented laws, regulations, or practices in the future would result in levying income tax on non-PRC resident individuals on gains from the sale of H shares.

If the PRC income tax is imposed on gains realized from the [REDACTED] of our H Shares or on dividends paid to our non-PRC resident [REDACTED], the value of your [REDACTED] in our H Shares may be affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with the PRC may not qualify for benefits under such tax treaties or arrangements.

RISKS RELATING TO THE [REDACTED]

There has been no prior [REDACTED] for the Shares, and the liquidity and [REDACTED] of our Shares may be volatile, which could result in substantial losses to you.

Prior to the [REDACTED], there has been no [REDACTED] for our H Shares. The initial [REDACTED] for the H Shares was the result of negotiations between us and the [REDACTED] (for itself and on behalf of the [REDACTED]), and the [REDACTED] may differ significantly from the [REDACTED] for our H Shares following the [REDACTED]. We cannot assure you that an active [REDACTED] for our H Shares will develop or be sustained after the [REDACTED] or that the [REDACTED] of our H Shares will not decline below the [REDACTED].

Furthermore, the [REDACTED] of our H Shares may be volatile and could fluctuate significantly due to factors beyond our control. Such factors include variations in our revenue, earnings and cash flow, changes in our operating results, changes in analysts’ estimates, perceptions of our industry and regulatory developments in the PRC and elsewhere. The [REDACTED] have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the [REDACTED] of our H Shares.

Additionally, under PRC law, all existing Shareholders (including [REDACTED] Investors) are restricted from disposing of any of their Shares within the first 12 months following the [REDACTED]. This lock-up period may affect the [REDACTED] and [REDACTED] of our H Shares shortly after the [REDACTED]. These factors, independent of our actual business performance, could contribute to substantial price volatility and potential losses for [REDACTED] in our H Shares.

RISK FACTORS

Future [REDACTED] or perceived [REDACTED] of substantial amounts of our H Shares in the [REDACTED] could have a material adverse effect on the [REDACTED] of our H Shares and our ability to raise additional capital in the future.

The [REDACTED] of our H Shares and our ability to raise capital at favorable terms could be negatively impacted by the future [REDACTED] of substantial amounts of our H Shares in the [REDACTED], especially if sold by our Directors, executive officers, or Controlling Shareholders, or if we [REDACTED] new shares or share-linked securities. The perception of such [REDACTED] or [REDACTED] could also exert downward pressure on our [REDACTED].

Moreover, [REDACTED] who [REDACTED] to shares in the [REDACTED] may not be subject to any disposal restrictions on their H Shares, and they may have existing arrangements or agreements to sell part or all of their H Shares immediately after the [REDACTED] for various legal, regulatory, business, or market reasons. These [REDACTED], especially if occurring in a short period after the [REDACTED], could exert downward pressure on the [REDACTED] and create substantial volatility in the [REDACTED] of our H Shares.

[REDACTED] of our Shares in the [REDACTED] may experience immediate dilution and may experience further dilution if we [REDACTED] additional Shares in the future.

The [REDACTED] of our H Shares in the [REDACTED] may be higher than the net tangible book value per H Share immediately prior to the [REDACTED]. As a result, [REDACTED] of our H Shares in the [REDACTED] may experience immediate dilution in net tangible book value. In addition, we may need to raise additional funds in the future and may [REDACTED] additional Shares or securities convertible into Shares. [REDACTED] of our H Shares may experience further dilution in the net tangible book value per Share if we [REDACTED] additional Shares or securities in the future.

Future substantial [REDACTED], or market expectations of potential large-scale disposals, of our H Shares may adversely affect our [REDACTED] and our ability to raise capital on favorable terms. Disposals by our Directors, senior management and major shareholders, in particular, could place downward pressure on the H Share [REDACTED]. Certain shares held by our major shareholders are subject to lock-up periods from the [REDACTED], and there is no guarantee that they will not dispose of their holdings after the lock-up expires; actual or anticipated share [REDACTED] may suppress the [REDACTED] of our H Shares.

The interests of our Controlling Shareholders may conflict with the best interests of our other shareholders.

Immediately upon completion of the [REDACTED], without taking into account any Shares [REDACTED] under the [REDACTED], our Controlling Shareholders will hold an aggregate of approximately [REDACTED]% of our total [REDACTED] share capital, giving them substantial control over our business and corporate decisions. This concentrated ownership allows our Controlling Shareholders to exercise significant influence over matters requiring Shareholder approval, including the election of directors, mergers, business combinations, asset acquisitions or disposals, [REDACTED] of additional Shares or other equity securities, dividend payments, and overall corporate strategy.

This level of control may lead our Controlling Shareholders to make decisions that serve their interests but are not necessarily aligned with those of our minority Shareholders. Additionally, this concentration of ownership may deter, delay, or prevent a change in control of our Company, which could otherwise provide Shareholders an opportunity to [REDACTED] their shares at a [REDACTED]. Such actions could negatively affect the [REDACTED] of our H Shares and limit the influence of other Shareholders on the Company's governance and future direction.

Our historical dividends may not be indicative of our future dividend policy, and there is no assurance of future dividend payments.

Our Board has discretion as to whether to distribute dividends. The amount of dividends we have paid in the past is not indicative of our future dividend policy or dividend amounts. The declaration and payment of dividends will be at the discretion of our Board and will depend on various factors, including our business prospects, financial performance, cash flow, capital requirements and the terms of our financing arrangements. There can be no assurance that we will declare and pay dividends in the future in any amount.

RISK FACTORS

We have significant discretion as to how we will use the [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.

Our management may spend the [REDACTED] from the [REDACTED] in ways you may not agree with or that do not yield a favorable return to our Shareholders. For further details on our plans to use [REDACTED] from the [REDACTED], please refer to “Future Plans and Use of [REDACTED]” in this document. However, our management will have discretion as to the actual application of our [REDACTED]. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the [REDACTED] from this [REDACTED].

Certain facts, forecast and other statistics in this document obtained from publicly available sources have not been independently verified and may not be reliable.

Certain facts, forecasts, and other statistics included in this document are derived from various publicly available government and official sources. While our Directors believe these sources to be appropriate and have taken reasonable care in obtaining and reproducing the information, we cannot guarantee the accuracy, quality, or reliability of the underlying source materials. This data has not been independently verified by us or any other parties involved in the [REDACTED] and no representation is given as to their accuracy.

Additionally, we cannot assure our [REDACTED] that this information has been compiled on a basis or with the same level of accuracy as similar data presented elsewhere. Therefore, [REDACTED] are advised to carefully consider the weight and importance they place on such facts and statistics when evaluating this document.

Our forward-looking statements are subject to uncertainties, and future results could differ materially from those expressed or implied.

This document contains forward-looking statements about our business based on management’s current beliefs, assumptions, and information available at the time. Forward-looking statements are identified by terms such as “aim,” “anticipate,” “believe,” “could,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “seek,” “will,” and similar expressions. These statements reflect management’s views on future events, operations, liquidity, and capital resources; however, they are inherently subject to risks, uncertainties, and assumptions.

If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, our actual results could differ significantly from those suggested by these forward-looking statements. Factors beyond our control and future business decisions could impact outcomes, many of which are discussed in the “Risk Factors” section of this document.

In light of these uncertainties, forward-looking statements should not be considered assurances of specific plans or objectives, and [REDACTED] are cautioned not to place undue reliance on them. All forward-looking statements in this document are qualified by these cautionary statements. Subject to ongoing disclosure obligations under the Listing Rules or Hong Kong Stock Exchange requirements, we do not intend to publicly update or revise forward-looking statements due to new information, future events, or other factors.

[REDACTED] should rely solely on this document and not on media reports when making [REDACTED] decisions.

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the [REDACTED]. Prior to the publication of this document, there has been press and media coverage regarding us, our business, our industry and the [REDACTED]. There may be additional media coverage regarding us, our business, our industry and the [REDACTED] subsequent to the date of this document but prior to the completion of the [REDACTED]. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. None of us or any other person involved in the [REDACTED] has authorized the disclosure of any such information in the press or media and none of us accepts any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. Our Company, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the

RISK FACTORS

[REDACTED], the [REDACTED], any of our and their respective directors, supervisors, officers, representatives, employees, advisers or any other persons or parties involved in the [REDACTED] make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, our Company, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of our and their respective directors, supervisors, officers, representatives, employees, advisers or any other persons or parties involved in the [REDACTED] disclaim responsibility for it, and you should not rely on such information.

WAIVERS

In preparation for the [REDACTED], our Company has sought and [has been granted] the following waivers from strict compliance with the relevant provisions of the Listing Rules.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 and Rule 19A.15 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Such requirement may be waived on a case-by-case basis taking into account the applicant’s arrangements for maintaining regular communication with the Stock Exchange.

Our management, business operations and assets are primarily located outside Hong Kong. The principal management headquarters of our Group are primarily based in the PRC. Our Company considers that our Group’s management is best able to attend to its functions by being based in the PRC. None of our executive Directors is or will be ordinarily resident in Hong Kong after the [REDACTED] of our Company. Our Directors consider that relocation of our executive Directors to Hong Kong will be burdensome and costly for our Company, and it may not be in the best interests of our Company and our Shareholders as a whole to appoint additional executive Directors who are ordinarily resident in Hong Kong. As such, we do not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 and Rule 19A.15 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the requirements under Rule 8.12 and Rule 19A.15 of the Listing Rules, provided that our Company implements the following arrangements:

- (1) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. The two authorized representatives appointed are Ms. Yu Jinrui (余錦瑞), an executive Director, and Ms. Lau Chun Yan (劉俊欣) (“**Ms. Lau**”), a joint company secretary. Ms. Lau is situated and based in Hong Kong. Each of our authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone facsimile and email;
- (2) as and when the Stock Exchange wishes to contact our Directors on any matters, each of our authorized representatives has the means to contact all of our Directors (including the independent non-executive Directors) promptly at all times;
- (3) although our executive Directors are not ordinary residents in Hong Kong, each of our Directors possesses or can apply for valid travel documents to visit Hong Kong and is able to meet with the Stock Exchange within a reasonable period of time, when required;
- (4) we have appointed VBG Capital Limited (“**VBG**”) as our compliance adviser, pursuant to Rule 3A.19 of the Listing Rules, who will have access at all times to our authorized representatives, Directors and senior management, and will act as an additional channel of communication between the Stock Exchange and us; and
- (5) we have provided the Stock Exchange with the contact details of each Director (including their respective mobile phone number, office phone number, e-mail address and fax number).

Our Company will inform the Stock Exchange as soon as practicable in respect of any change in the authorized representatives, the Directors and/or the compliance adviser in accordance with the Listing Rules.

WAIVERS

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, our company secretary must be an individual who by virtue of his or her academic or professional qualifications or relevant experience is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. Note 1 to Rule 3.28 of the Listing Rules provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable: (a) a member of The Hong Kong Chartered Governance Institute; (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Listing Rules further provides that the Stock Exchange considers the following factors in assessing the “relevant experience” of the individual: (a) length of employment with the issuer and other issuers and the roles he/she played; (b) familiarity with the Listing Rules and other relevant laws and regulations; (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules (i.e. 15 hours per financial year); and (d) professional qualifications in other jurisdictions.

As our Company has principal business activities primarily outside Hong Kong, we have appointed Mr. Lin Jianfeng (林建鋒) (“**Mr. Lin**”), our chief financial officer and secretary of the Board, as one of our joint company secretaries, considering his past working experiences within our Group and his thorough understanding of our internal administration, business operations and corporate culture. As such, although Mr. Lin does not possess the acceptable qualification and relevant experience strictly required by Rule 3.28 of the Listing Rules, our Directors believe that Mr. Lin is capable of discharging the functions of a joint company secretary with the assistance of Ms. Lau, who meets the requirements under Rule 3.28 of the Listing Rules and has been appointed to act as the other joint company secretary and to assist Mr. Lin in the compliance matters for the [REDACTED] as well as other Hong Kong regulatory requirements for an initial period of three years from the [REDACTED]. Over such period, we will implement the following measures to assist Mr. Lin to satisfy the requisite qualifications as prescribed in Rules 3.28 and 8.17 of the Listing Rules:

- (a) Ms. Lau will assist Mr. Lin so as to enable him to discharge his duties and responsibilities as a joint company secretary. Given Ms. Lau’s relevant experiences, she will be able to advise both Mr. Lin and us on the relevant requirements of the Listing Rules as well as other applicable laws and regulations of Hong Kong;
- (b) Mr. Lin will be assisted by Ms. Lau for an initial period of three years commencing from the [REDACTED], which should be sufficient for him to acquire the requisite knowledge and experience under Rule 3.28 of the Listing Rules;
- (c) we will ensure that Mr. Lin has access to the relevant trainings and support to enable him to familiarize himself with the Listing Rules and the duties required of a company secretary of an issuer, and Mr. Lin has undertaken to attend such trainings;
- (d) Ms. Lau will communicate with Mr. Lin on a regular basis regarding matters in relation to corporate governance, the Listing Rules as well as other applicable laws and regulations of Hong Kong which are relevant to our operations and affairs. Ms. Lau will work closely with, and provide assistance to Mr. Lin with a view to discharging his duties and responsibilities as a company secretary, including but not limited to organizing the Board meetings and Shareholders’ meetings; and
- (e) pursuant to Rule 3.29 of the Listing Rules, Ms. Lau and Mr. Lin will also attend in each financial year no less than 15 hours of relevant professional training courses to familiarize themselves with the requirements of the Listing Rules and other legal and regulatory requirements of Hong Kong. Both Ms. Lau and Mr. Lin will be advised by our legal advisers as to Hong Kong laws and our compliance adviser as and when appropriate and required.

WAIVERS

Accordingly, we have applied for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules, for an initial period of three years from the [REDACTED] (the “**Waiver Period**”). Pursuant to paragraph 13 under Chapter 3.10 of the Guide for New Listing Applicants, the waiver is granted on the conditions: (i) our Company appoints Ms. Lau, who meets the requirements under Note 1 to Rule 3.28 of the Listing Rules, as a joint company secretary, to assist Mr. Lin in discharging his functions as a joint company secretary and in gaining the relevant experience as required under Rule 3.28 of the Listing Rules; and (ii) the waiver will be revoked immediately if Ms. Lau, during the three-year period, ceases to provide assistance to Mr. Lin, or if there are material breaches of the Listing Rules by our Company. Before the end of the three-year period, we will conduct a further evaluation of the qualification and experience of Mr. Lin to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied, and we will demonstrate to and seek the Stock Exchange’s confirmation that Mr. Lin, having had the benefit of Ms. Lau’s assistance for three years, has acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver would not be necessary. For more details of Ms. Lau and Mr. Lin’s biographies, please see the section headed “Directors and Senior Management”.

WAIVER IN RESPECT OF CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions under the Listing Rules following the [REDACTED]. We have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the announcement requirements as set out in Chapter 14A of the Listing Rules. Please see “Connected Transactions” in this document for further information of such continuing connected transaction and corresponding waiver.

WAIVER IN RESPECT OF POST-TRACK RECORD PERIOD ACQUISITIONS

Rules 4.04(2) and 4.04(4)(a) of the Listing Rules require that the new applicant include in its accountants’ report the income statements and balance sheet, respectively, of any business or subsidiary acquired, agreed to be acquired or proposed to be acquired, since the date to which the latest audited financial statements of the issuer have been made up, in respect of each of the three financial years immediately preceding the [REDACTED] of the [REDACTED] document, or in respect of each of the financial years since commencement of such business or the incorporation or other establishment of such subsidiary (as the case may be) if this occurred less than three years prior to such [REDACTED] or such shorter period as may be acceptable to the Stock Exchange. For the purpose of Rules 4.04(2) and 4.04(4) of the Listing Rules, “acquisition of business” includes acquisition of associates and any equity interest in another company.

Investment of Majority Interest in Shanxi Lugang

After the end of Track Record Period, on January 30, 2026, our Company entered into a share transfer agreement with Suqi Group Co., Ltd.* (蘇汽集團有限公司) to acquire 55% of equity interest in Shanxi Lugang Xinruili Auto Parts Co., Ltd.* (山西陸港新瑞立汽配有限公司) (the “**Shanxi Lugang**”) (previously known as Shanxi Longjie Automobile Service Co., Ltd.* (山西龍捷汽車服務有限公司)), a joint stock company established in the PRC, at a total consideration of RMB4,513,358.78 (the “**Shanxi Lugang Acquisition**”). Such consideration was based on arm’s length negotiations between the parties, with reference to, among others, the audit results of Shanxi Lugang. The consideration was fully settled on February 25, 2026. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, the remaining 45% equity interest in Shanxi Lugang is held by Shanxi Automobile Transportation Group Co., Ltd.* (山西汽車運輸集團有限公司) (“**Shanxi Automobile**”), an independent third party.

WAIVERS

Shanxi Lugang is principally engaged in the wholesale and retail sale of automobile spare parts within mainland China. We believe that the acquisition of a majority interest in Shanxi Lugang would will help diversify our sales channels, deepen our cooperation with Shanxi Automobile, and drive up our overall sales volume. Our Directors believe that the terms of the investment of majority equity in Shanxi Lugang are fair and reasonable and in the interests of the Shareholders as a whole.

Pursuant to the audited financial statements of Shanxi Lugang, as at December 31, 2025, its total assets amounted to RMB7,705,697.62; it recorded annual revenue of approximately RMB9,677,273.41 and profit before tax of approximately RMB53,650.93 for the year ended December 31, 2025.

Conditions to the waiver granted by the Stock Exchange

We have applied to the Hong Kong Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with Rule 4.04(2) and 4.04(4) of the Listing Rules in respect of Shanxi Lugang Acquisition on the following grounds:

1. *The applicable percentage ratios of the Shanxi Lugang Acquisition are less than 5% by reference to the most recent financial year of the Company's Track Record Period*

The applicable percentage ratios for the Shanxi Lugang Acquisition are less than 5% by reference to the most recent financial year of the Company's Track Record Period. Accordingly, we consider that the Shanxi Lugang Acquisition is immaterial and will not have any material effect on the financial condition of the Group.

2. *The historical financial information of Shanxi Lugang would be unduly burdensome to obtain or prepare*

Although we have acquired 55% equity interests in Shanxi Lugang and obtained control over it, the completion date of the Shanxi Lugang Acquisition falls very close to the Latest Practicable Date. Given the extremely tight timeline between transaction completion and the Latest Practicable Date, we have not been afforded sufficient time to procure complete historical financial information of Shanxi Lugang. Correspondingly, our reporting accountants also lack adequate time to conduct comprehensive audit procedures covering Shanxi Lugang. In light of the foregoing constraints, we are unable to: (i) secure full access to complete historical financial information of Shanxi Lugang for our reporting accountants; (ii) arrange sufficient due diligence sessions for our reporting accountants to fully understand Shanxi Lugang's management framework and accounting policies; and (iii) collate all requisite financial statements and supporting documentation required for document disclosure. Accordingly, disclosing the audited financial information of Shanxi Lugang in this document in compliance with Rule 4.04(2) and Rule 4.04(4)(a) of the Listing Rules would be impracticable and impose an excessive administrative burden on us.

In addition, considering that the Shanxi Lugang Acquisition is immaterial and is not expected to have any material effect on the financial condition of the Group, it would not be meaningful and would be unduly burdensome for us to prepare and include the financial information of Shanxi Lugang during the Track Record Period in this document.

3. *Alternative disclosure in this document*

We have provided alternative information in this document in connection with the Shanxi Lugang Acquisition required for the announcement of a discloseable transaction under Rules 14.58 and 14.60 of the Listing Rules including, among other things, (i) reasons for Shanxi Lugang Acquisition, (ii) details of the acquisition and the description of Shanxi Lugang's principal businesses, (iii) the recent financials of Shanxi Lugang. Since the applicable percentage ratios for the Shanxi Lugang Acquisition are significantly less than 5% by reference to the most recent financial year of the Company's Track Record Period, the Company believes that the current disclosure in this document is adequate for [REDACTED] to form an informed assessment of the Group.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
Executive and non-executive Directors		
Mr. Zhang Xiaoping (張曉平)	No. 5 Zhenning Lane Yuhai Subdistrict, Rui'an Zhejiang, PRC	Chinese
Ms. Yu Jinrui (余錦瑞)	Room 301, Unit 1, Building 5 Lane 35, Antai Road Anyang Subdistrict, Rui'an Zhejiang, PRC	Chinese
Mr. Xu Benguang (徐本光)	Room 401, Unit 1 Building 3, Ruixiyuan Ruixiang New District, Rui'an Zhejiang, PRC	Chinese
Mr. Wu Zhengchu (吳正初)	Unit 302 Block C-2, Plaza Garden Shangwang Subdistrict, Rui'an Zhejiang, PRC	Chinese
Mr. Zhang Rucong (張若聰)	Unit 401, Building 3 Jiangyue Wangyun Shangcheng District, Hangzhou Zhejiang, PRC	Chinese
Independent non-executive Directors		
Dr. Ben Shenglin (賁聖林)	Unit 04, Building 22 Hainajun, Haining Zhejiang, PRC	Chinese
Mr. NG Jack Ho Wan (吳浩雲)	Flat A, 16/F Block 3A, Seanorama 1 Choi Sha Street, Ma On Shan New Territories, Hong Kong	Chinese (Hong Kong)
Mr. Tong Zhiyi (童智毅)	Room 501, Building 4 Poly Zhongsheng Mansion Shangcheng District, Hangzhou Zhejiang, PRC	Chinese

For further details, please see the section headed “Directors and Senior Management” in this document.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor

ABCI Capital Limited
11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Central, Hong Kong

[REDACTED]

[REDACTED]

Legal Advisers to the Company

As to Hong Kong laws:

Jun He Law Offices
7/F, AIA Central
1 Connaught Road Central
Central, Hong Kong

As to PRC laws:

JunHe LLP
28/F, GDH BCC,
No.21 Zhujiang West Road
Zhujiang New Town
Tianhe District, Guangzhou
Guangdong, PRC

As to International Sanctions laws:

Jun He Law Offices LLC
Suite 1919
630 Fifth Avenue, 45 Rockefeller Plaza
New York, NY 10111
United States

As to PRC sanctions laws:

JunHe LLP
26/F
HKRI Centre One,
HKRI Taikoo Hui
288 Shimen Road (No. 1)
Shanghai, PRC

**Legal Advisers to the Sole
Sponsor and the [REDACTED]**

As to Hong Kong laws:

Fangda Partners
26/F, One Exchange Square
8 Connaught Place
Central, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

As to PRC laws:

Fangda Partners

24/F, HKRI Centre Two
HKRI Taikoo Hui
288 Shi Men Yi Road
Shanghai, PRC

**Auditor and Reporting
Accountants**

Ernst & Young

*Certified Public Accountants and
Registered Public Interest Entity Auditor
under the Accounting and Financial
Reporting Council Ordinance*
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

Industry Consultant

China Insights Industry Consultancy Limited

10F, Block B, Jing'an International Center
88 Puji Road, Jing'an District
Shanghai, PRC

[REDACTED]

CORPORATE INFORMATION

Registered Office and Head Office in the PRC	No. 2666 Kaifaqu Avenue Economic Development Zone, Rui'an Zhejiang, PRC
Place of Business in Hong Kong Registered under Part 16 of the Companies Ordinance	[40/F, Dah Sing Financial Centre 248 Queen's Road East Wanchai, Hong Kong]
Joint Company Secretaries	Mr. Lin Jianfeng (林建鋒) No. 2666 Kaifaqu Avenue Economic Development Zone, Rui'an Zhejiang, PRC Ms. Lau Chun Yan (劉俊欣) (<i>HKACG, ACG</i>) 40/F, Dah Sing Financial Centre 248 Queen's Road East Wanchai, Hong Kong
Authorized Representatives	Ms. Yu Jinrui (余錦瑞) Room 301, Unit 1, Building 5 Lane 35, Antai Road Anyang Subdistrict, Rui'an Zhejiang, PRC Ms. Lau Chun Yan (劉俊欣) 40/F, Dah Sing Financial Centre 248 Queen's Road East Wanchai, Hong Kong
Audit Committee	Mr. NG Jack Ho Wan (吳浩雲) (<i>Chairperson</i>) Mr. Tong Zhiyi (童智毅) Dr. Ben Shenglin (賁聖林)
Nomination Committee	Dr. Ben Shenglin (賁聖林) (<i>Chairperson</i>) Mr. Tong Zhiyi (童智毅) Ms. Yu Jinrui (余錦瑞)
Remuneration Committee	Mr. Tong Zhiyi (童智毅) (<i>Chairperson</i>) Mr. NG Jack Ho Wan (吳浩雲) Mr. Zhang Xiaoping (張曉平)
Compliance Adviser	VBG Capital Limited Suites 707-709, 7/F 12 Taikoo Wan Road Taikoo, Hong Kong
	[REDACTED]
Principal Banks	Agricultural Bank of China Ruian Sub-branch No. 587 Wansong East Road Anyang Street Ruian, Wenzhou Zhejiang, PRC

CORPORATE INFORMATION

China Minsheng Bank
Chezhan Avenue, Aojiang Town
Pingyang County, Wenzhou
Zhejiang, PRC

Company's Website

www.cnsorl.com

(A copy of this document is available on the Company's website. Except for the information contained in this document, none of the other information contained on the Company's website forms part of this document)

INDUSTRY OVERVIEW

The information and statistics contained in this section and elsewhere of this document are extracted from a report commissioned by us and prepared by China Insights Consultancy (CIC), as well as various official government publications and other publicly available publications. We engaged CIC to prepare an independent industry report (the CIC Report) in connection with the [REDACTED]. Neither we nor any other person involved in the [REDACTED], nor any of our or their respective directors, senior management, representatives, or advisers, have independently verified the information from official government sources or made any representation as to its accuracy.

OVERVIEW OF THE GLOBAL COMMERCIAL VEHICLE MARKET

Definition and Classification of Commercial Vehicles

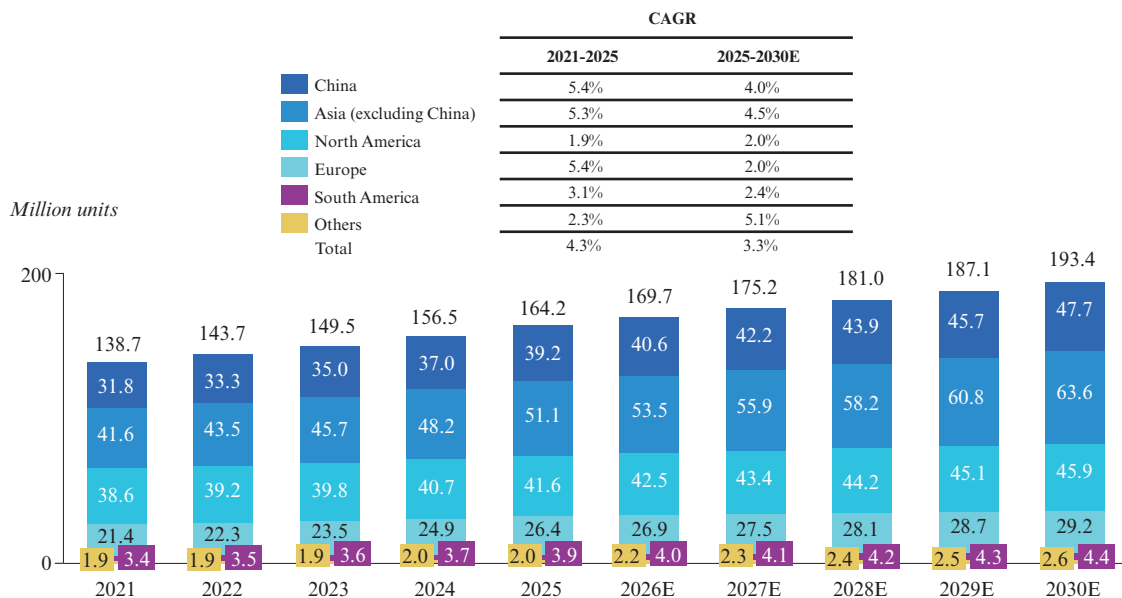
Commercial vehicles refer to motor vehicles designed and engineered primarily for commercial operations, including the transportation of passengers, or goods, or the towing of trailers. Distinct from passenger vehicles, which are primarily used for personal mobility and consumer purposes, commercial vehicles operate as essential means of production. They are widely deployed across key sectors of the national economy, such as trunk logistics, urban delivery, public passenger transportation, engineering operations, environmental sanitation services, and specialized transportation, thereby establishing a solid industry foundation and underlying market demand for related aftermarket service industries, including auto parts supply chain services as well as maintenance and repair (M&R) service.

Market Size of the Global Commercial Vehicle Industry

As of 2025, the global commercial vehicle parc reached 164.2 million units, with significant disparities across regional markets. China is a core single commercial vehicle market globally, with a domestic commercial vehicle parc of 39.2 million units in 2025, accounting for 23.9% of the global market share. The commercial vehicle parc in Asia (excluding China), North America, and Europe reached 51.1 million units, 41.6 million units, and 26.4 million units, accounting for 31.1%, 25.3%, and 16.1% of the global total, respectively. Supported by steady global economic growth, the global commercial vehicle parc is expected to maintain stable growth, with the overall fleet size projected to increase to 193.4 million units by 2030, representing a CAGR of 3.3% from 2025 to 2030. Driven by the upgrading of modern logistics systems, increased infrastructure investment, rising replacement demand, and increasing penetration of new energy commercial vehicles, the growth rate of commercial vehicle sales in China is expected to outpace the global average. From 2025 to 2030, China’s commercial vehicle parc is expected to grow at a CAGR of 4.0%, reaching 47.7 million units by 2030.

INDUSTRY OVERVIEW

Market Size of the Global Commercial Vehicle, in Terms of Vehicle Parc, by Region, 2021-2030E



Sources: CAAM, IMF, OCIA, ACEA, CIC

Note: “Europe” includes Russia, while “Others” includes Africa, Oceania, and other regions.

Comparative Analysis of Global Commercial Vehicle Age

As of 2025, the average age of commercial vehicles varies substantially across major countries worldwide. Taking heavy-duty trucks as an example, the average vehicle age in China is 7.2 years, while in the United States, Japan, and Germany, it reaches 13.6 years, 11.4 years, and 10.5 years, respectively, all significantly higher than that in China. The relatively short average age of commercial vehicles across China results from the continuous tightening of emission standards, stringent execution of relevant regulations and the increasing adoption of new energy commercial vehicles. In contrast, mature overseas markets such as the United States, Germany, and Japan are constrained by such factors as multiple technology pathways that have yet to be standardized, slow progress in the construction of supporting infrastructure for new energy vehicle operations, and weak economic benefits in actual operations. As a result, the industrialization and market penetration of new energy commercial vehicles remain relatively slow, with traditional diesel heavy-duty trucks continuing to dominate these markets. This slower vehicle replacement pace directly results in generally older fleets. With longer service cycles, the failure rate of commercial vehicle core components increases, leading to rising replacement frequency. This, in turn, drives greater demand for maintenance and repair (M&R) services and auto parts supply chain services, which will further propel the sustained and stable growth of the global commercial vehicle service market.

Market Drivers of Global Commercial Vehicle

- Macroeconomic recovery and logistics system upgrades driving structural demand growth:** The prosperity of the commercial vehicle industry is inherently linked to macroeconomic activity, infrastructure development, and logistics transportation demand. Globally, ongoing transportation infrastructure development and accelerating urbanization provide long-term support for engineering transportation and infrastructure-related commercial vehicles. Meanwhile, rising e-commerce penetration and modernization of logistics systems are driving trunk transportation and urban delivery to become more intensive and efficient, further stimulating market demand for highly reliable heavy-duty trucks and high-efficiency delivery vehicles.

INDUSTRY OVERVIEW

- **Stringent environmental regulations and carbon reduction policies drive the replacement of existing fleet capacity:** Major global economies are continuously tightening emission regulatory standards and implementing carbon reduction policies, such as the Euro VII standard in Europe and the EPA 2027 emission regulations in the United States, which are accelerating the phase-out of older vehicles with high emissions and low energy efficiency. Driven by increasingly stringent environmental regulations, fiscal subsidies, tax incentives, and other factors, the economic viability and market acceptance of new energy and high-efficiency commercial vehicles continue to improve. Coupled with rising downstream requirements for green supply chains and the maturity of powertrain technologies, the global commercial vehicle market is seeing a release of replacement demand, driving the industry towards low-carbon, energy-efficient, and environmentally friendly development.
- **TCO optimization boosting NEV penetration:** With continuous advancements in core technologies such as power batteries, electric drives, and energy management, and the gradual improvement of charging and battery-swapping infrastructure, have significantly deepened the commercial application of new energy commercial vehicles in specific scenarios, including urban delivery, port transportation, and mining operations. Compared to traditional fuel vehicles, new energy commercial vehicles offer advantages in terms of energy costs and certain maintenance expenditures, effectively reducing the TCO over the vehicle lifecycle. These advantages align well with logistics enterprises’ imperative to reduce costs and enhance efficiency, as well as ESG management trends, thereby continuously boosting the market penetration rate of new energy commercial vehicles. The growth in the parc of new energy commercial vehicles further drives the expansion of the commercial vehicle service market.
- **Global supply chain realignment driving cross-regional capacity deployment and overseas market expansion:** Against the backdrop of global supply chain realignment and growing demand in emerging markets, competition within the commercial vehicle industry is gradually shifting from simple product exports to a coordinated development of localized production, channel building, and aftermarket service systems. Leading commercial vehicle manufacturers continue to advance the establishment of overseas manufacturing bases while improving local sales and after-sales service networks to enhance their global operational capabilities and market response efficiency. Such initiatives help companies enhance brand influence and value-added services, mitigate the impact of fluctuations in individual regional markets on operating performance, and drive the continuous growth of overseas business.

OVERVIEW OF THE GLOBAL COMMERCIAL VEHICLE SERVICE MARKET

Definitions and Classifications of the Global Commercial Vehicle Service

Commercial vehicle services refer to the range of services provided following the sale of commercial vehicles to meet diverse needs over the entire vehicle lifecycle. These services mainly comprise two segments: auto parts supply chain services and maintenance and repair services. Among these, auto parts supply chain services primarily focus on the sale of and after-sales support for high-value components, wear parts, and maintenance consumables for commercial vehicles. Relying on a comprehensive supply chain system, this segment enables centralized procurement, warehousing and dispatching, as well as efficient distribution of parts, thereby meeting the parts needs of commercial vehicles across all scenarios. Maintenance and repair services utilize professional technical means to restore normal operating functions of vehicles and prolong vehicle service life through preventive maintenance. This segment includes various specialized services such as preventive maintenance, specialized maintenance of after-treatment systems, overhaul of core assemblies, chassis and tire system maintenance, and accident repairs.

INDUSTRY OVERVIEW

Commercial Vehicle Service Market Categories

- Auto Parts Supply Chain Services**
- (1) Sales of full-range commercial vehicle parts, as well as supply chain warehousing and distribution services, covering high-value core assembly parts, chassis parts, various wear parts, and maintenance consumables:
- **Universal Parts:** Includes tires, maintenance products, filtration systems, engine modules, auxiliary equipment, lighting and signaling systems. Highly versatile and compatible with a wide range of vehicle models, with frequent market circulation and replacement demand.
 - **Chassis Parts:** Includes suspension modules, transmission controls, electronic control units, drive modules, auxiliary equipment, driving modules, braking modules, and steering modules. Serving as core components for vehicle handling, supporting overall vehicle stability and driving safety performance.
 - **Body Accessories Parts:** Includes body cover parts, body structural parts, electronic control devices, auxiliary equipment, cab products, and lighting and signaling systems. Features multiple attributes such as structural protection, passenger and cargo load-bearing, and exterior decoration.
 - **Electrical Parts:** Includes body electronics, electronic control units, power supplies, auxiliary equipment, and cooling systems. Responsible for coordinating the entire vehicle's circuit operation and intelligent control and serve as critical components for vehicle electrification.
 - **Engine Parts:** Includes intake and exhaust systems, cooling systems, starting systems, common rail fuel systems, and cylinder kits. Determine power output efficiency and serve as key supporting components of the vehicle powertrain.
 - **Gearbox Parts:** Includes transmission controls and transmission drives. Manage power shifting and torque transmission, and directly affect gear-shifting smoothness and transmission efficiency.
- (2) Leveraging a mature supply chain system and comprehensive warehousing network to integrate various auto parts resources and provide efficient delivery services. Providing one-stop parts supply services for repair workshops, fleet customers, and vehicle owners, fully meeting all-scenario procurement needs spanning routine maintenance, breakdown repair, major assembly overhaul, and accident repair.
- Maintenance and Repair Services**
- Full-process services aimed at restoring the normal operating functions of commercial vehicles through professional technical means, or extending vehicle service life through preventive maintenance mechanisms.

Sources: CAAM, OICA, Expert Interviews, CIC

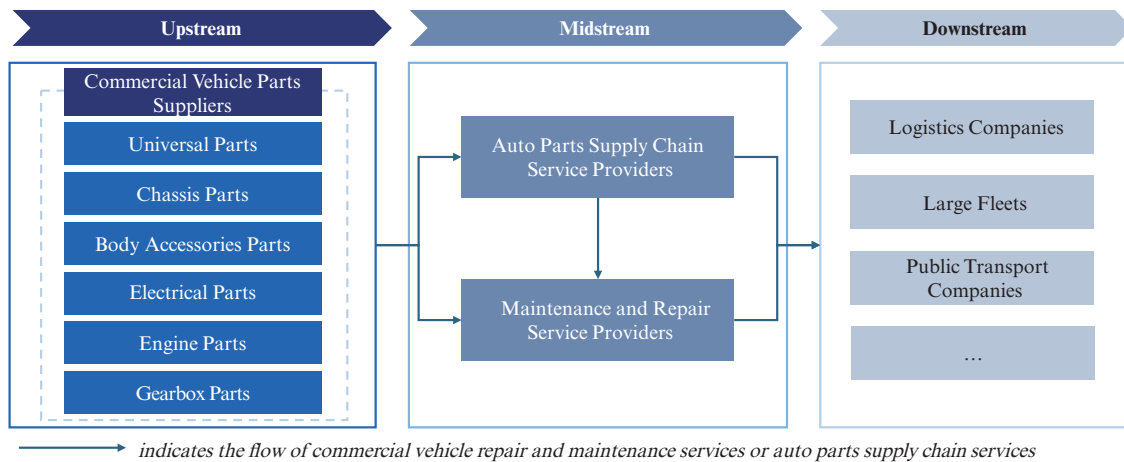
INDUSTRY OVERVIEW

Commercial Vehicle Service Market Value Chain and Downstream Customer Demand Analysis

The upstream of the commercial vehicle aftermarket service industry chain primarily consists of OEMs and parts manufacturers, which are responsible for supplying high-value core components, wear parts, and consumables. The downstream end users encompass a diverse range of vehicle owners such as logistics companies, large fleets, and public transportation companies. Unlike the passenger vehicle market, commercial vehicles function as production tools, with downstream demand focused on maximizing vehicle utilization and reducing total cost of ownership through frequent preventive maintenance and timely repairs.

Midstream commercial vehicle service providers include maintenance and repair service providers and auto parts supply chain service providers. They are evolving into digital and intelligent integrated service providers, generally operating under two business models: direct sales and distribution. By applying ERP systems, SaaS management tools, and big data analytics, these providers feed end-user behavior data back to upstream suppliers to optimize inventory management, while offering real-time SKU search and efficient warehousing and distribution support to downstream clients. Such digital approach effectively addresses long-standing challenges in the commercial vehicle service market, especially in the parts supply chain service market, such as difficulties in tracing parts and poor delivery timelines, ultimately achieving information alignment and a closed-loop value chain across the entire industry chain.

Commercial Vehicle Service Market Industry Chain



Source: CIC

INDUSTRY OVERVIEW

Different types of end customers have varying requirements for the commercial vehicle service market, as detailed below:

Analysis of Differentiated Needs of End Customers in the Commercial Vehicle Service Market

End Customer Group	Core Demand for Parts Supply Chain Service	Core Demand for Maintenance and Repair Services	Decision Logic and Key Pain Points
Logistics Companies	<ul style="list-style-type: none"> National centralized procurement agreements Extremely fast delivery Direct supply from brands and traceability 	<ul style="list-style-type: none"> Nationwide networked service capability Rapid response for out-of-area breakdown assistance Preventive/predictive maintenance 	<p>Efficiency first</p> <p>Focus on vehicle utilization, with moderate price sensitivity to individual maintenance events</p>
Large Fleets	<ul style="list-style-type: none"> Long-Term stability of supply channels Cost-effective parts combinations Support for extended credit period 	<ul style="list-style-type: none"> Standardized outsourced maintenance and repair Digital cost monitoring and accounting Periodic mandatory maintenance 	<p>Refined operations</p> <p>Key pain point: reducing operating costs per kilometer while pursuing high cost-effectiveness</p>
Public Transport Companies	<ul style="list-style-type: none"> Centralized procurement and bidding system Quality of braking/steering safety parts Strict compliance and access qualifications 	<ul style="list-style-type: none"> Fixed-route, designated-site maintenance Specialized emission system repairs for strict compliance Regular scheduled maintenance 	<p>Safety and compliance</p> <p>Highly sensitive to national emission standards (China VI), with preference for brand suppliers</p>

Given the extensive operational routes and dispersed end-user service outlets of commercial vehicles, the industry has long faced challenges such as delivery delays and non-standardized service quality. As a result, midstream service platforms equipped with nationwide warehousing and distribution networks and digital dispatch capabilities are integrating fragmented social maintenance resources to establish unified technical and supply standards for the industry. This platform-based and digitalized trend represents a crucial path for the commercial vehicle service market to achieve economies of scale and breakthroughs in profitability in the future.

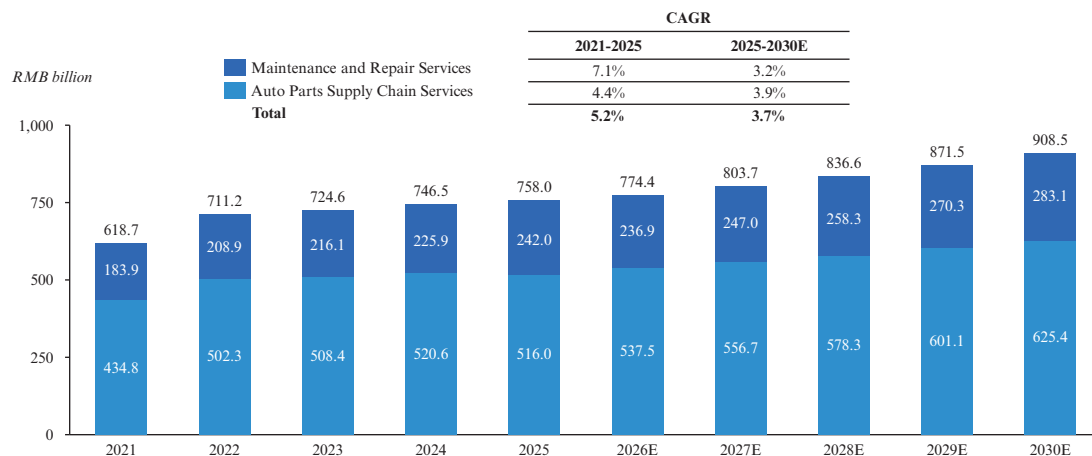
Market Size of the Global and China Commercial Vehicle Service Industry

In 2025, the global commercial vehicle service market reached RMB3,288.4 billion, and is expected to grow to RMB3,826.4 billion by 2030, with a CAGR of 3.0%. The commercial vehicle service market in China has maintained steady growth, increasing from RMB618.7 billion in 2021 to RMB758.0 billion in 2025, with a CAGR of 5.2%. Among these, auto parts supply chain services constituted a core component of the market, reaching RMB516.0 billion in 2025. The demand for commercial vehicle services is continuously driven by the sustained high level of commercial vehicle parc in China, the aging of fuel vehicles, ongoing

INDUSTRY OVERVIEW

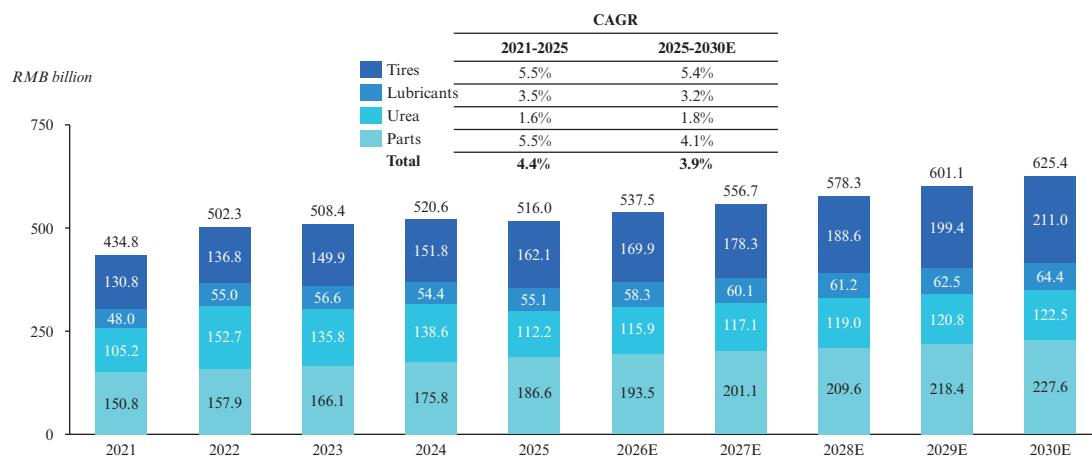
upgrades to emission regulations, and the growing demand for refined fleet operation and maintenance. By 2030, the commercial vehicle service market in China is projected to reach RMB908.5 billion, representing a CAGR of 3.7% from 2025 to 2030. Among these, the auto parts supply chain service market is expected to increase from RMB516.0 billion in 2025 to RMB625.4 billion in 2030, representing a CAGR of 3.9%.

Market Size of China Commercial Vehicle Service, in Terms of GMV, by Service Type, 2021-2030E



Source: Zhengzhou Commodity Exchange, CAAM, Expert Interviews, CIC

Market Size of the China Auto Parts Supply Chain Service, in Terms of GMV, by Product, 2021-2030E



Source: Zhengzhou Commodity Exchange, CAAM, Expert Interviews, CIC

Note: The parts cover six major categories: universal parts, chassis parts, body accessories parts, electrical parts, engine parts, and gearbox parts.

Drivers of the Global and China Commercial Vehicle Service Market

- Energy transition and stricter emissions regulations drive restructuring of the after-sales value chain:** Driven by global carbon reduction goals and stricter emission regulations, rising new energy commercial vehicle penetration is gradually shifting aftermarket service system from traditional mechanical repairs and consumable replacements toward electrification and intelligence. The focus of aftermarket maintenance and repair (M&R) is gradually extending from traditional engines and mechanical assemblies to core components such as power batteries, electric drive systems, and electronic control systems, driving the demand for specialized services like high-voltage

INDUSTRY OVERVIEW

system testing, battery health assessment, and thermal management and maintenance. These changes have further raised the industry's requirements for technical capabilities, equipment investment, and professional service systems, fueling the continuous upgrading of the aftermarket supply chain and service models.

- **Aging vehicle fleet unleashes maintenance and repair (M&R) demand in the existing market:** Due to the slowdown in macroeconomic growth and cyclical fluctuations in the logistics sector, new sales growth in the global and China commercial vehicle markets has stabilized. Terminal users are extending their vehicle replacement cycles, leading to a continuous increase in the average service life of vehicles. Once commercial vehicles enter their mid-to-late operational stages, they typically face higher frequencies of repair, overhaul, and in-depth maintenance needs, thereby driving growth in the demands for replacement of core components such as chassis systems, transmission systems, and braking systems. These demands from the existing market provide sustained business growth opportunities for aftermarket supply chain service providers and maintenance and repair (M&R) service organizations.
- **Operating cost control requirements drive the optimization of the spare parts market structure:** Amid pressure on logistics freight rates and intensifying industry competition, logistics enterprises and individual operators are paying increasing attention to the TCO of vehicles throughout their lifecycle. While ensuring vehicle safety and operational stability, end-users are becoming more accepting to cost-effective spare parts, driving IAM parts to substitute OES parts. This trend prompts supply chain service providers to continuously optimize their product portfolios and procurement systems, while enabling platform-based enterprises with capabilities in large-scale procurement, quality control, and supply chain integration to further increase their market share.
- **Application of digital technologies triggers upgrades in maintenance and repair (M&R) service models:** With the continued application of IoT, 5G communication, and data analytics technology in the commercial vehicle sector, commercial vehicle service models are gradually shifting from traditional reactive repair to PdM. Through real-time monitoring and analysis of vehicle operating status and key component data, maintenance and repair (M&R) service providers can identify potential fault risks in advance, thereby reducing unplanned vehicle downtime and improving operational efficiency. These digital capabilities boost demand from large logistics clients for comprehensive maintenance and repair (M&R) service solutions and drive the further expansion of the aftermarket service boundaries.

Development Trends of the Global and China Commercial Vehicle Service Market

- **Shift of service model towards TVO management:** The demands of commercial vehicle end-users are gradually evolving from traditional standalone repair services towards comprehensive TVO management covering procurement, operations, maintenance and repair (M&R) and more. With the intensification of the logistics sector and the continuous expansion of fleet sizes, large fleet customers are placing higher demands on service network coverage, fulfillment efficiency, consistency of service standards, and compliance management capabilities. Against this backdrop, service platforms with nationwide service capabilities, standardized operational systems and comprehensive supply chain management capabilities are gaining more and more market share.
- **Digitalization breaks down information silos and drives efficiency improvements across the entire chain:** The commercial vehicle aftermarket is continuously advancing the development of digital systems. Leading enterprises are leveraging big data, algorithmic models, and digital management systems to achieve precise matching and dynamic management of vast inventories of spare part SKUs, thereby gradually enhancing both information transparency and supply efficiency of the traditional auto parts distribution system. Meanwhile, data collaboration capabilities among warehouse management, logistics distribution, and repair terminals continue to strengthen. This helps reduce inventory redundancy, enhance fulfillment efficiency and optimize operational costs, accelerating the industry's transition from extensive management to refined operations.

INDUSTRY OVERVIEW

- **Escalating competition and ecological collaboration reshape the industrial landscape:** The focus of competition in the commercial vehicle aftermarket is gradually shifting from individual product supply or repair services to comprehensive capabilities covering supply chain integration, digital capabilities and service network collaboration. OEMs, core parts suppliers (Tier 1) and independent aftermarket service platforms are continuously improving their supply chains, channels and service systems through strategic partnerships, joint ventures, and mergers and acquisitions. The enhanced collaboration across the industry serves to expand customer reach, improve supply chain efficiency, and further raise the barriers to market entry.
- **Accelerated compliance and standardization drive industry consolidation into branded players:** With the gradual improvement of the regulatory system and the standardization of market development, the commercial vehicle aftermarket is continuously enhancing its standardization in terms of repair processes, pricing standards, environmental treatment, and spare parts distribution. The promotion and application of EPCs, product coding systems, and anti-counterfeiting and traceability technologies have further enhanced the transparency of spare parts distribution and the traceability of product quality. These trends help improve the overall service quality of the industry and drive the consolidation of market share into enterprises with brand influence, standardized operational capabilities and nationwide service networks.
- **The penetration of new energy vehicles reshapes the underlying physical architecture and triggers a structural shift in maintenance and repair (M&R) consumption:** The increasing penetration rate of new energy commercial vehicles is gradually changing the structure of aftermarket maintenance and repair (M&R) needs. On the one hand, the increased vehicle weight resulting from power battery systems places higher demands on tire load capacity and wear resistance, driving growth in demand for high-performance specialized tires. At the same time, the increased complexity of the three-electric system and thermal management system also raises demand for related services such as coolant, high-voltage component inspection, and thermal management and maintenance. On the other hand, as the structure of traditional internal combustion engines has been simplified, demand for engine oil and some traditional lubricants has decreased. Overall, the focus of aftermarket maintenance and repair (M&R) is gradually shifting towards specialized areas such as high-voltage system inspection, thermal management and maintenance, and electronic control system repairs.
- **Overseas expansion strategies continue to improve, and the industry’s level of globalization keeps rising:** With the steady growth of the global commercial vehicle market and the deepening of cross-border cooperation, enterprises in the commercial vehicle aftermarket are accelerating their overseas expansion. The industry’s expansion model has evolved from simple product export to a model that combines the coordinated export of domestic supply chains with localized services overseas. Industry players generally adopt differentiated overseas expansion strategies. They build local operation teams and collaborate with local channel partners to improve overseas sales and service networks. Leveraging the cost and resource advantages of China’s integrated supply chain, they have established synergistic links between domestic and overseas production, sales, technology, and after-sales systems. This effectively expands market reach, optimizes revenue structures and drives the industry development towards internationalization and diversification.

COMPETITIVE ANALYSIS OF CHINA’S COMMERCIAL VEHICLE SERVICE MARKET

Participants in China’s commercial vehicle service market can be broadly categorized into three types: OEM-authorized CV service providers, Independent regional CV service providers, and platform-based CV service providers. OEM-authorized CV service providers leverage their brand, technical expertise and genuine parts to develop a deep presence in repair, maintenance and parts supply, aiming to build a comprehensive closed-loop industry chain. Regional independent CV service providers play a key role in niche areas such as local customer outreach. Platform-based CV service providers, meanwhile, utilize flexible service models and cost advantages, combined with extensive customer reach, to offer one-stop services to meet the diverse needs of various downstream customers.

INDUSTRY OVERVIEW

Comparative Analysis of Commercial Vehicle Service Providers in China, 2025

Type of CV Service Provider	Characteristics and Advantages	Service Network Coverage	Digital Capabilities
OEM-Authorized CV Service Providers	Leveraging after-sales networks derived from vehicle sales channels, primarily offering OEM services within the warranty period.	High in breadth but low in density.	Moderate
Independent Regional CV Service Providers .	Long-tail service providers rooted in the end market, offering flexible service pricing with lower labor costs.	Highly fragmented and dispersed.	Lower
Platform-based CV Service Providers	Reshape distribution channels based on digital infrastructure, directly connect with upstream parts manufacturers, and provide cross-brand, full-category supply chain, maintenance and repair services.	Multi-tiered, three-dimensional network that balances both breadth and density.	Higher

Source: CIC

Overall, China’s commercial vehicle service market is currently at a critical turning point, transitioning from fragmented operations towards large-scale development, digitalization and ecosystem-based growth. Enterprises with nationwide channel networks, robust supply chain integration capabilities and digital capabilities remain scarce. As a typical platform-based CV service provider, the company leverages its strong supply chain integration capabilities and extensive service footprint to effectively address the pain points of traditional supply chains, including excessive distribution tiers, low efficiency and information asymmetry. It delivers full-category and one-stop service solutions to a wide range of downstream customers.

Ranking of Commercial Vehicle Service Providers in China

Ranking of Top Five Commercial Vehicle Service Providers in China, in Terms of Revenue⁽¹⁾, 2025

Rank	Company Name ⁽²⁾	Type of CV Service Provider	CV Service Revenue (RMB100 Million)
1	The Company	Platform-based CV Service Provider	15.6
2	Company A	OEM-Authorized CV Service Provider	12.0
3	Company B	OEM-Authorized CV Service Provider	8.3
4	Company C	Platform-based CV Service Provider	7.8
5	Company D	OEM-Authorized CV Service Provider	5.2
	Total of Top Five Companies		48.9

INDUSTRY OVERVIEW

Source: *Expert Interviews, CIC*

Note:

- (1) The revenue in the table above refers to each CV service provider’s revenue originated from Chinese Mainland market.
- (2) Company A, established in 2012, located in Sichuan Province, China, primarily engages in the manufacturing and distribution of heavy industry equipment and commercial vehicle components, dedicating to providing related hardware and technical support.

Company B, established in 2012, located in Guangdong Province, China, primarily engaged in the manufacturing and sales of automobile accessories, focusing on the production and supply chain services within the commercial vehicle service industry.

Company C, established in 2017, located in Shanghai, China, is a commercial vehicle aftermarket service company specializing in tire operation platforms. It leverages IT systems and smart hardware to provide standardized maintenance services and supply chain solutions, having covered several thousand service networks and managed tens of thousands of logistics vehicles.

Company D, established in 1992, located in Shandong Province, China, is an auto parts service provider focusing on light commercial vehicles. It provides a comprehensive range of auto accessories and aftermarket services, and has developed to a key commercial vehicle auto parts service providers in northern China.

Entry Barriers and Key Success Factors of the Commercial Vehicle Service Industry

- **Large-scale SKU management and supply chain integration capabilities.** The commercial vehicle features a vast array of parts and complex models, with SKU reaching hundreds of thousands. This places high demands on enterprises’ supply chain integration and lean operation capabilities. Relying on strong capabilities in upstream resource integration, establishing rigorous quality control systems, stable supplier partnerships, and extensive procurement channels, industry leaders typically create “one-stop” procurement platforms and achieve advantages of large-scale procurement. Thereby, they can successfully enhance the supply stability and bargaining power for core and high-value parts, while reducing procurement costs and supply chain management complexity for end customers.
- **Digital infrastructure and multi-tier warehousing and distribution network.** The characteristics of high-frequency operations and cross-regional circulation inherent to commercial vehicles impose stringent requirements on parts supply timeliness and order fulfillment capabilities. Building a nationwide multi-tier warehousing and distribution network requires long-term capital investment, sophisticated network planning, and continuous operational optimization capabilities. Meanwhile, industry-leading companies typically achieve end-to-end data integration across procurement, warehousing, logistics, and finance through deep synergy of digital systems like ERP, WMS and SRM, effectively improving inventory turnover efficiency and operational management levels. Enterprises lacking nationwide allocation capabilities, digitized operational systems and full-process logistics traceability typically struggle to meet commercial vehicle customers’ demands for high availability and rapid response.

INDUSTRY OVERVIEW

- **Establishment of a unified service system and deep synergy across the industrial ecosystem.** The complexity of commercial vehicle operating scenarios places higher demands on the consistency, standardization and nationwide warranty capabilities of maintenance and repair services. Industry leaders typically achieve this by building extensive service networks with unified standards and implementing standardized management over repair procedures, parts traceability, service workflows, and pricing systems to strengthen customer trust and brand loyalty. In addition, they further reinforce channel barriers and enhance customer stickiness by establishing long-term, stable partnerships with leading regional customers, service outlets, and upstream & downstream industry players, and by strengthening localized operational capabilities through models such as joint ventures, company-owned outlets and in-depth collaboration.
- **Deep industry know-how and a multi-disciplinary talent pipeline.** Commercial vehicle services are characterized by strong professional technical attributes and high barriers of industry experience, which requires enterprises to accumulate multi-dimensional capabilities in products, supply chain, maintenance services and customer operations over a long period of time. Management teams with backgrounds in parts manufacturing, supply chain management experience, and the ability to handle maintenance & repair under complex operating conditions can more effectively navigate industry cyclical fluctuations, shifting customer demands, and complex operational environments. They can also develop organizational strengths and talent barriers that are difficult to replicate in the short term, thereby providing critical support for sustained operations and large-scale expansion of enterprises.

SOURCE AND RELIABILITY

We have engaged CIC to conduct an analysis and prepare a report on the global and China’s commercial vehicle service market. CIC is a market research and consulting firm incorporated in Hong Kong, dedicated to providing professional consulting services across various industries. We have agreed to pay CIC RMB0.43 million as the fee for the preparation of the CIC Report. The data quoted in this section, as well as in the “Summary”, “Risk Factors”, “Business”, “Financial Information” and other sections of this document, is intended to assist [REDACTED] in gaining a more comprehensive understanding of the industry in which we operate. Unless otherwise stated, all data and forecasts in this section are derived from the CIC Report. The data collected by CIC has been analyzed, evaluated and verified using its internal analytical models and methodologies. Primary research was conducted through interviews with key industry experts and leading market participants, while secondary research involved the analysis of publicly available data sources. The market forecasts in the CIC Report are based on the following key assumptions: (i) the overall social, economic and political environments globally and in the People’s Republic of China are expected to remain stable during the forecast period; (ii) the relevant key industry drivers (such as growth in downstream demand, technological advancements, policy support and others) will continue to drive the development of the global and China’s commercial vehicle service market during the forecast period; (iii) no extreme force majeure events or sudden industry regulatory changes that could exert a severe or fundamental impact on the market will occur during the forecast period.

REGULATORY OVERVIEW

The laws and regulations in Chinese Mainland that have a significant impact on our business operations are set out below:

LAWS AND REGULATIONS ON CORPORATION

The establishment, operation and management of corporate entities in the PRC is governed by the Company Law of the PRC (《中華人民共和國公司法》) (the “**Company Law**”), which was promulgated by the SCNPC on December 29, 1993 and implemented on July 1, 1994, and was last amended on December 29, 2023 and came into effect on July 1, 2024. Under the Company Law, companies are generally classified into two categories, namely, limited liability companies and joint stock limited companies. Both types of companies have the status of legal persons, and the liability of shareholders of a joint stock limited company is limited to the extent of shares they have subscribed for. The Company Law also applies to foreign-invested enterprises. Where laws on foreign investment have other stipulations, such stipulations shall prevail.

LAWS AND REGULATIONS ON FOREIGN INVESTMENT

The incorporation, operation and management of Chinese companies are mainly governed by the Company Law, which is applicable to both PRC domestic companies and foreign-invested companies. Investment activities of foreign investors in China are also governed by the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “**FIL 2019**”) effective from January 1, 2020, together with the Implementing Regulation for the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the “**Implementation Regulations**”) promulgated by the State Council on December 26, 2019 and the Interpretation of the Supreme People’s Court on Several Issues Concerning the Application of the Foreign Investment Law of the PRC (《最高人民法院關於適用〈中華人民共和國外商投資法〉若干問題的解釋》) promulgated by the Supreme People’s Court on December 26, 2019. The FIL 2019 and the Implementation Regulations supersede the previous three effective foreign investment laws and their respective implementation regulations, namely, the Law of the PRC on Sino-Foreign Equity Joint Ventures, the Law of the PRC on Sino-Foreign Cooperative Joint Ventures and the Law of the PRC on Wholly Foreign-owned Enterprises.

The FIL 2019 and the Implementation Regulations provide that the administration system of pre-entry national treatment plus negative list is adopted for foreign investment, according to which, “pre-entry national treatment” refers to the treatment granted to foreign investors and their investments at the stage of investment entry which is no less favorable than that granted to domestic investors and their investments, except for foreign investments in “restricted” or “prohibited” investment sectors or industries, and the “negative list” refers to the special administrative measures on foreign investment entry for foreign investment in the aforesaid “restricted” or “prohibited” investment sectors or industries, which are proposed by the PRC. Foreign investments outside the negative list are entitled to national treatment. Foreign investors are not allowed to make investments in the fields prohibited by the negative list, and in the fields restricted by the negative list, foreign investors shall comply with the special provisions on equity requirements, senior management personnel requirements, etc. At the same time, the relevant authorities, based on the needs of the national economy and social development, provide the catalogue of encouraged industries for foreign investment, specifying the special industries, fields and regions to encourage and guide foreign investors’ investments.

Currently, the industry entry licensing requirements governing foreign investors’ investment activities in China are set out in two catalogues, i.e., the Special Administrative Measures for Entry of Foreign Investment (Negative List) (2024 Edition) (《外商投資准入特別管理措施(負面清單)(2024年版)》) (the “**Negative List**”), as promulgated by the NDRC and the MOFCOM on September 6, 2024, effective as of November 1, 2024, and the Catalogue of Encouraged Industries for Foreign Investment (2025 Edition) (《鼓勵外商投資產業目錄(2025年版)》), as promulgated by the NDRC and the MOFCOM on December 15, 2025, effective as of February 1, 2026. Industries not listed in the two catalogues are generally deemed as “permitted” for foreign investments, unless otherwise specifically restricted by PRC laws. While strengthening investment promotion and protection, the Foreign Investment Law further regulates foreign investment management and proposes the establishment of a foreign investment information reporting system that replaces the original foreign investment enterprise approval and filing system of the MOFCOM. The foreign investment information reporting is subject to the Measures on Reporting of Foreign Investment Information (《外商

REGULATORY OVERVIEW

投資信息報告辦法》) jointly promulgated by the MOFCOM and the SAMR, effective January 1, 2020. According to the Measures on Reporting of Foreign Investment Information, foreign investors who directly or indirectly carry out investment activities in China shall submit investment information to the competent commercial department through the enterprise registration system and the National Enterprise Credit Information Publicity System and the reporting methods include initial reports, change reports, cancellation reports, and annual reports. If the change in the information of initial reports involves registration or filing of the change of enterprises, foreign-invested enterprises shall submit change reports through the enterprise registration system when applying for the registration or filing of change of enterprises. If the change in the information of initial reports does not involve registration or filing of the change of enterprises, foreign-invested enterprises shall submit change reports through the enterprise registration system within twenty (20) business days after the change. Foreign-invested listed companies may report information on changes in investors and their shareholdings only when the cumulative change in the foreign investors’ shareholding ratio exceeds 5% or the foreign parties’ shareholding or relative holding status have changed.

LAWS AND REGULATIONS ON OVERSEAS INVESTMENT

Pursuant to the Administrative Measures for Outbound Investment (《境外投資管理辦法》) promulgated by the MOFCOM on September 6, 2014 and implemented on October 6, 2014, the MOFCOM and provincial competent commerce authorities shall carry out administration either by record-filing or approval, depending on different circumstances of outbound investment by enterprises. Outbound investment by enterprises that involves sensitive countries or regions, or sensitive industries shall be subject to administration by approval. Outbound investment by enterprises that falls in any other circumstances shall be subject to administration by record-filing.

Pursuant to the Administrative Measures for Outbound Investment of Enterprises (《企業境外投資管理辦法》) promulgated by the NDRC on December 26, 2017 and implemented on March 1, 2018, a domestic enterprise, or the Investor, making an outbound investment shall obtain approval, conduct record-filing or other procedures applicable to outbound investment projects, or the Projects, report relevant information, and cooperate with the supervision and inspection. Sensitive Projects carried out by Investors directly or through overseas enterprises controlled by them shall be subject to approval; non-sensitive Projects directly carried out by Investors, namely, non-sensitive projects involving investors’ direct contribution of assets or rights and interests or provision of financing or guarantee shall be subject to record-filing. The aforementioned “sensitive project” means a project involving a sensitive country or region or a sensitive industry. The NDRC shall promulgate the catalogue of sensitive industries. The currently effective sensitive industry catalogue is the Catalogue of Sensitive Sectors for Outbound Investment (2018 Edition) (《境外投資敏感行業目錄(2018年版)》), effective on March 1, 2018.

LAWS AND REGULATIONS ON FOREIGN EXCHANGE

Pursuant to the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》) promulgated on January 29, 1996 and amended on August 5, 2008, the RMB is generally freely convertible for current account items, including trade and service related foreign exchange transactions, but not for capital account items, such as direct investment, loan, repatriation of investment and investment in securities outside the PRC, unless the prior approval of the SAFE or its designated banks is obtained.

Pursuant to the Notice of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Administration of Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) promulgated on June 9, 2016 and amended on December 4, 2023 by the SAFE, the settlement of foreign exchange receipts under the capital account (including but not limited to foreign exchange capital, foreign debts, and funds raised through overseas listing) may convert from foreign currency into RMB on a self-discretionary basis. The proportion of discretionary settlement of domestic entities’ foreign exchange receipts under the capital account is temporarily determined as 100%, and the SAFE may adjust the above ratio in due time according to the balance of payment status.

REGULATORY OVERVIEW

Pursuant to the Notice on Further Promoting Cross-border Trade and Investment Facilitation (《關於進一步促進跨境貿易投資便利化的通知》) which was promulgated on October 23, 2019 by the SAFE, together with the Notice of the State Administration of Foreign Exchange on Further Deepening the Reform and Promoting Cross-border Trade and Investment Facilitation (《關於進一步深化改革 促進跨境貿易投資便利化的通知》) which was promulgated by the SAFE on December 4, 2023, non-investment foreign-invested enterprises are permitted to settle foreign exchange capital in RMB and make domestic equity investments with such RMB funds according to the law on the condition that the current Negative List are not violated and the relevant domestic investment projects are genuine and in compliance with laws. Foreign exchange funds raised in the overseas listing of a domestic company may be directly remitted to the settlement account under the capital account item.

LAWS AND REGULATIONS RELATING TO OUR BUSINESS

Regulations Relating to Product Quality

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the “**Product Quality Law**”), which was promulgated by the SCNPC on February 22, 1993 and implemented on September 1, 1993, and last revised on December 29, 2018, the engagement in product manufacturing and sales activities within the territory of mainland China shall comply with the Product Quality Law. Producers shall be responsible for the quality of the products they produce and sell. Quality of products shall meet the following requirements: (i) the products shall be free from any unreasonable threats to personal safety or safety of property, and shall conform to national standards or trade standards for ensuring human health and personal or property safety if there are such standards; (ii) the products shall have the functions they are supposed to have, except where there are explanations about the functional defects; and (iii) the products shall meet the standards specified on the products or packages thereof and the quality condition specified by way of product instructions or samples.

Pursuant to the PRC Civil Code (《中華人民共和國民法典》) (the “**Civil Code**”), which was promulgated by the NPC on May 28, 2020 and became effective on January 1, 2021, in the event of damages caused to other party due to the defects in a product, the infringing party may seek compensation from the manufacturer or the seller of such product and shall have the right to request the manufacturer and the seller to bear tortious liabilities, such as cessation of infringement, removal of obstruction, and elimination of danger.

Regulations Relating to Production Safety

Pursuant to the Production Safety Law of the PRC (《中華人民共和國安全生產法》) promulgated on June 29, 2002, last amended on June 10, 2021 and effective on September 1, 2021, a system of accountability for production safety accidents has been implemented. Production and business entities must strengthen work safety management, improve work safety conditions, strengthen standardization and informatization of work safety, and raise work safety levels. Production and business entities shall meet the work safety conditions prescribed by such law and other relevant laws, administrative regulations, and national or industry standards.

LAWS AND REGULATIONS ON IMPORT AND EXPORT TRADE

Pursuant to the Administration of Filing of Customs Declaration Entities of the PRC (《中華人民共和國海關報關單位備案管理規定》) promulgated by the General Administration of Customs of the PRC (the “**GACC**”) on November 19, 2021, and effective as of January 1, 2022, customs declaration entities refer to the consignees or consignors of imports and exports and customs declaration enterprises which have filed with the Customs pursuant to these provisions. Consignees or consignors of imports and exports and customs declaration enterprises applying for filing shall obtain market entity qualification; in the case of consignees or consignors of imports and exports applying for filing, they shall also complete filing formalities for foreign trade operators.

Pursuant to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) promulgated by the SCNPC on May 12, 1994 and last amended on December 27, 2025, foreign trade operators are not required to register for record-filing. The Chinese government permits the free import and export of goods and technologies, except as otherwise provided by laws and administrative regulations.

REGULATORY OVERVIEW

Pursuant to the Regulations on the Administration of Import and Export of Goods of the PRC (《中華人民共和國貨物進出口管理條例》), promulgated by the State Council on December 10, 2001, and last amended on March 10, 2024, which took effect on May 1, 2024, trade activities that import goods into or export goods from China’s customs territory shall comply with the Regulations on the Administration of Import and Export of Goods of the PRC. Goods that are prohibited from import and export shall not be imported or exported; goods that are restricted from import and export shall be subject to licensing or quota management; and goods that are freely import and export shall not be restricted.

Pursuant to the Provisions of the State Council on Outbound Investment (《國務院關於對外投資的規定》) promulgated by the State Council on May 5, 2026 and effective on July 1, 2026, investors shall not export or use export-prohibited goods, technologies, services and relevant data, nor export or use export-restricted items without official approval. Disguised overseas transfer of controlled export items through cross-border personnel arrangement, technical guidance and training is prohibited. All import and export of goods and technologies, cross-border service trade and export control issues involved in outbound investment shall be governed by relevant laws and regulations.

LAWS AND REGULATIONS RELATING TO U.S. EXPORT CONTROLS, SANCTIONS AND INVESTMENT POLICIES

U.S. Export Controls

Pursuant to the Export Administration Act of 1979 and the Export Control Reform Act of 2018, the Export Administration Regulations (the “**EAR**”) govern the export, reexport, and in-country transfer of items subject to the EAR. Items subject to the EAR include all items in the United States, all U.S.-origin items wherever located, and certain non-U.S. made items pursuant to de minimis rule and foreign direct product rule. Furthermore, the EAR imposes additional restrictions on the transfer of items to restricted parties, restricted destinations or for restricted end uses. Specifically, no person may, without a license, knowingly export, reexport, or transfer (in-country) any item subject to the EAR to an embargoed country/region, or to an end user or end use that is prohibited by Part 744 of the EAR. Violations of the EAR or any order, license or authorization issued thereunder may result in civil and criminal penalties.

U.S. Sanctions

Under the authorities granted by the International Emergency Economic Powers Act (the “**IEEPA**”) and the Trading with the Enemy Act (the “**TWEA**”), the U.S. President can create and enforce sanctions programs through Executive Orders to deal with any unusual and extraordinary threat to the national security, foreign policy, or economy of the United States. In practice, the Office of Foreign Assets Control (the “**OFAC**”) under the Department of the Treasury is tasked with implementing and enforcing sanctions measures in accordance with relevant Executive Orders. Currently, Iran, North Korea, Cuba, the Crimea Region, Luhansk Region and Donetsk Region are subject to comprehensive sanctions imposed by the U.S. government. Besides comprehensive sanctions against certain countries, the U.S. government also imposes sanctions on certain individuals or entities for endangering the national security and foreign policy of the U.S. The main sanctions list administered by OFAC (and other departments such as Department of Defense) include the Specially Designated Nationals List (“**SDN List**”). Persons, including individuals and entities, listed on the SDN List are subject to blocking sanctions. Moreover, OFAC applies a 50% rule to persons who are owned, directly or indirectly, individually or in the aggregate, 50% or more, by SDNs.

Outbound Investment Rule by the U.S. Department of the Treasury

On August 9, 2023, the U.S. President issued Executive Order No. 14105, directing the Secretary of the Treasury to establish a program to prohibit or require notification of certain types of outbound investments by U.S. persons into certain entities located in or subject to the jurisdiction of countries of concern (currently China was identified, including Hong Kong and Macau) that are engaged in activities in certain sectors (currently including semiconductors and microelectronics, quantum information technologies or artificial intelligence). On January 2, 2025, the Provisions Pertaining to U.S. Investments in Certain National Security Technologies and Products in Countries of Concern became effective (the “**Outbound Investment Rules**”). Under the Outbound Investment Rules, U.S. persons are subject to notification requirements or prohibitions if they engage in “covered transactions” involving “covered foreign persons”.

REGULATORY OVERVIEW

LAWS AND REGULATIONS RELATING TO TARIFFS

In 2025, the U.S. implemented a series of tariff measures, including reciprocal tariffs on global trading partners. Specifically, in April 2025, the United States imposed a 145% tariff on Chinese goods, except for certain consumer electronics produced in China, on which the tariff was lowered to 30% until November 10, 2025. 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 officially ruled that the U.S. reciprocal tariffs are unconstitutional. On March 4, 2026, a court order further required CBP to upgrade its systems to process reciprocal tariff refunds. The system launched the first phase on April 20, 2026.

LAWS AND REGULATIONS ON ENVIRONMENTAL PROTECTION

The PRC laws and regulations relating to environmental protection mainly include: the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), amended by the SCNPC on April 24, 2014 and implemented on January 1, 2015, the Law on Prevention and Control of Water Pollution of the PRC (《中華人民共和國水污染防治法》), amended by the SCNPC on June 27, 2017 and implemented on January 1, 2018, the Law on Prevention and Control of Air Pollution of the PRC (《中華人民共和國大氣污染防治法》), which was amended and implemented by the SCNPC on October 26, 2018, the Law on Prevention and Control of Environmental Pollution by Solid Wastes of the PRC (《中華人民共和國固體廢物污染環境防治法》), as amended by the SCNPC on April 29, 2020 and implemented on September 1, 2020, the Environmental Protection Tax Law of the PRC (《中華人民共和國環境保護稅法》), as amended and implemented by the SCNPC on October 26, 2018, the Regulations for the Implementation of the Environmental Protection Tax Law of the PRC (《中華人民共和國環境保護稅法實施條例》), as amended by the State Council on December 25, 2017 and implemented on January 1, 2018, the Administrative Measures for Pollutant Discharge Licensing (《排污許可管理辦法》), as promulgated by the Ministry of Ecology and Environment on April 1, 2024 and implemented on July 1, 2024, and the Law on Prevention and Control of Noise Pollution of the PRC (《中華人民共和國噪聲污染防治法》), promulgated by the SCNPC on December 24, 2021 and effective on June 5, 2022. Pursuant to the above laws and regulations, enterprises that discharge and dispose of toxic and hazardous substances such as wastewater, waste gas, and solid waste must meet national and local standards for use, declare and register with the relevant environmental protection administrative department, and pay environmental protection taxes and fees in accordance with applicable laws.

Pursuant to the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》), promulgated by the SCNPC on October 28, 2002, and last amended on December 29, 2018, the construction entity shall prepare an environmental impact report, report form or fill in an environmental impact registration form according to the degree of impact of the construction project on the environment: (i) if the construction project is likely to cause significant environmental impact, an environmental impact report shall be prepared to comprehensively evaluate the environmental impact; (ii) if the construction project is likely to cause minor environmental impact, an environmental impact report form should be prepared to analyze or specifically evaluate the environmental impact; (iii) if the environmental impact is small and no environment assessment is required, an environmental impact registration form shall be submitted.

Pursuant to the Administrative Measures on Licensing of Urban Sewage Discharging into Drainage Network (《城鎮污水排入排水管網許可管理辦法》), which was promulgated by the Ministry of Housing and Urban-Rural Development on January 22, 2015, latest amended on December 1, 2022 and came into effect on February 1, 2023, enterprises, institutions and individual businesses engaging in industrial, construction, catering, medical and other activities and discharging sewage into urban facilities must apply for and obtain a license for urban drainage.

REGULATORY OVERVIEW

LAWS AND REGULATIONS ON LABOR AND SOCIAL SECURITY

Labor Law and Labor Contract Law

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》), which was promulgated by the SCNPC on July 5, 1994, came into effect on January 1, 1995 and last revised on December 29, 2018, and the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), which was promulgated on June 29, 2007, revised on December 28, 2012 and came into effect on July 1, 2013, written labor contracts shall be executed between an entity and its employees if an employment relationship is established. Employers are required to inform their employees about their job responsibilities, working conditions, occupational hazards, remuneration and other matters with which the employees may be concerned. Employers shall pay remuneration to employees on time and in full in accordance with the commitments set forth in their employment contracts and the relevant PRC laws and regulations.

Social Insurance and Housing Provident Fund

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on October 28, 2010, came into effect on July 1, 2011 and last revised on December 29, 2018, the Interim Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), which was implemented on January 22, 1999 and revised on March 24, 2019, the Trial Measures for Enterprise Staff Maternity Insurance (《企業職工生育保險試行辦法》), which was implemented on January 1, 1995, and the Regulations on Work-Related Injury Insurance (《工傷保險條例》), which was implemented on January 1, 2004, amended on December 20, 2010 and came into effect on January 1, 2011, employers in mainland China shall provide their employees with welfare schemes covering basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance and occupational injury insurance. Employers failed to promptly contribute social security premiums in full amount shall be ordered by the social security premium collection agency to make or supplement contributions within a prescribed period, and shall be subject to a late payment fine computed from the due date at the rate of 0.05% per day; where payment is not made within the prescribed period, the relevant administrative authorities shall impose a fine ranging from one to three times the amount of the amount in arrears.

Pursuant to the Regulations on Administration of Housing Provident Funds (《住房公積金管理條例》), which was promulgated by the State Council on April 3, 1999 and last revised on March 24, 2019, employers must contribute to housing provident funds for their employees. If employers fail to pay the housing provident fund within the time limit or have a shortfall in payment, they will be ordered by the housing provident management center to pay or make up the deficiency within the prescribed period. If they still fail to do so after the prescribed period, the housing provident fund management center is entitled to apply for compulsory enforcement with the people's court.

On July 31, 2025, the PRC Supreme People's Court promulgated the Supreme People's Court's Interpretation (II) on Several Issues Concerning the Application of Law in Labor Dispute Cases (《最高人民法院關於審理勞動爭議案件適用法律問題的解釋(二)》), which took effect on September 1, 2025. Article 19(1) thereof stipulates that if an employer and an employee agree or the employee undertakes that social insurance contributions need not to be paid, the People's Court shall deem such agreement or undertaking invalid. Furthermore, where an employer fails to pay social insurance contributions in accordance with the law, and the employee seeks to terminate the labor contract and claims economic compensation from the employer pursuant to Article 38(3) of the PRC Labor Contract Law, the People's Court shall support such claims in accordance with the law.

REGULATORY OVERVIEW

LAWS AND REGULATIONS ON TAXATION

Enterprise Income Tax

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), promulgated by the SCNPC on March 16, 2007 and implemented on January 1, 2008 and last revised on December 29, 2018, a domestic enterprise which is established within the PRC in accordance with the laws or established in accordance with any laws of foreign country or region but with an actual management entity within the PRC shall be regarded as a resident enterprise. A resident enterprise shall be subject to an EIT of 25% of any income generated within or outside the PRC. A preferential EIT rate shall be applicable to any key industry or project which is supported or encouraged by the State. Key high-tech enterprises which are supported by the State may enjoy a reduced EIT rate of 15%.

Value-Added Tax

According to the Value-Added Tax Law of the PRC (《中華人民共和國增值稅法》), which was promulgated on December 25, 2024, entities and individuals that sell goods, services, intangible assets or immovables within the PRC, or import goods to the PRC are subject to the payment of value-added tax. Starting from 1 April 2019, the generally applicable value-added tax rates are 13%, 9%, 6%, and 0%.

Leasing

Pursuant to the Civil Code, subject to the consent of the lessor, the lessee may sublease the leased premises to a third party. Where a lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. The lessor is entitled to terminate the lease if the lessee subleases the premises without the consent of the lessor.

According to the Administrative Measures on Leasing of Commodity Housing (《商品房屋租賃管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development on December 1, 2010 and effective on February 1, 2011, the lessor and the lessee are required to complete property leasing registration and filing formalities within 30 days from execution of the property lease contract with the development authorities or real estate authorities of the municipality or county where the leased property is located. If a company fails to do as aforesaid, it may be ordered to rectify within a stipulated period, and if such company fails to rectify, a fine ranging from RMB1,000 to RMB10,000 may be imposed on each lease agreement.

LAWS AND REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

Trademark

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》), which was promulgated by the SCNPC on August 23, 1982 and implemented on March 1, 1983, and last revised on April 23, 2019 and came into effect on November 1, 2019, and the Implementation Regulations of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》), which was promulgated by the State Council on August 3, 2002 and implemented on September 15, 2002, and amended on April 29, 2014 and came into effect on May 1, 2014, a trademark registered by the Trademark Office is a registered trademark, including the commodity trademark, service trademark, collective trademark and certification trademark. The valid period of a registered trademark shall be 10 years, commencing from the date of approval of the registration. The trademark registrant shall apply for renewal within 12 months before the expiry date for further use of the registered trademark. The valid period for each renewal of registration is 10 years, counted from the next day of the expiration day of the last term.

REGULATORY OVERVIEW

Copyright

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》), which was promulgated by the SCNPC on September 7, 1990 and implemented on June 1, 1991, and last revised on November 11, 2020 and came into effect on June 1, 2021, Chinese citizens, legal persons or other organizations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software created in writing or oral or other forms. A copyright holder shall enjoy a number of rights, including the right of publication, the right of authorship and the right of reproduction.

Pursuant to the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration on February 20, 2002 and the Regulation on Computers Software Protection (《計算機軟件保護條例》) amended by the State Council on January 30, 2013 and came into effect on March 1, 2013, the National Copyright Administration is mainly responsible for the registration and management of software copyright in mainland China and recognizes the China Copyright Protection Center as the software registration organization. The China Copyright Protection Center shall grant certificates of registration to computer software copyright applicants in compliance with the regulations of the Measures for the Registration of Computer Software Copyright and the Regulation on Computers Software Protection.

LAWS AND REGULATIONS ON CYBERSECURITY AND DATA PROTECTION

Pursuant to the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) (the “**Cybersecurity Law**”), which was promulgated by the SCNPC on November 7, 2016, took effect on June 1, 2017, and was amended on October 28, 2025, with the amended version taking effect on January 1, 2026, network operators are broadly defined as owners and administrators of networks and network service providers, and such network operators shall comply with laws and regulations and fulfill their obligations to safeguard the security of the network when conducting business and providing services. Those who construct or operate networks or provide services through networks shall take technical measures and other necessary measures pursuant to the mandatory requirements of laws, regulations and national standards to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data. A network operator shall not collect personal information irrelevant to the services it provides or collect or use personal information in violation of the provisions of laws or agreements between both parties; where a network operator processes personal information, it shall comply with the Cybersecurity Law, the Civil Code, the Personal Information Protection Law, and other relevant laws and administrative regulations.

Pursuant to the Data Security Law of the PRC (《中華人民共和國數據安全法》) (the “**Data Security Law**”), which was promulgated by the SCNPC on June 10, 2021 and took effect on September 1, 2021, “data” is defined as any record of information in electronic or other forms, and the processing activities of data include the collection, storage, use, processing, transmission, provision and disclosure of data. The Data Security Law is broadly applicable to data processing activities carried out in the PRC or, where carried out outside the PRC, that damage the national security, public interests or the legitimate rights and interests of citizens and organizations of the PRC. The Data Security Law mainly sets forth specific provisions regarding the establishment of basic systems for data security management, including a hierarchical data classification management system, a risk assessment system, a monitoring and early warning system, and an emergency disposal system. In addition, it clarifies the data security protection obligations of organizations and individuals carrying out data activities and implementing data security protection responsibilities, including, without limitation, that any organization or individual collecting data shall adopt lawful and proper methods and shall not steal data or obtain data by other illegal means, and risk monitoring shall be strengthened when data processing activities are carried out, and where risks such as data security flaws and vulnerabilities are discovered, remedial measures shall be immediately taken.

REGULATORY OVERVIEW

In addition, pursuant to the Administrative Regulations on Network Data Security (《網絡數據安全管理條例》), which was promulgated by the State Council on September 24, 2024 and took effect on January 1, 2025, network data processors shall, in accordance with the provisions of laws and administrative regulations and the mandatory requirements of national standards, strengthen network data security protection on the basis of the classified cybersecurity protection system, establish and improve network data security management systems, and adopt technical measures such as encryption, backup, access control, and security authentication, as well as other necessary measures, to protect network data from tampering, destruction, leakage, or illegal acquisition or use, and shall bear primary responsibility for the security of the network data they process. Network data processors that provide generative artificial intelligence services shall strengthen the security management of training data and training data processing activities, and take effective measures to prevent and address network data security risks.

On August 16, 2021, the CAC, the MIIT, the NDRC, the Ministry of Public Security of the PRC (中華人民共和國公安部), the Ministry of Transport (交通運輸部) promulgated the Several Provisions on Automotive Data Security Management (for Trial Implementation) (《汽車數據安全管理若干規定(試行)》). Pursuant to the Automobile Data Security Provisions, which became effective on October 1, 2021, automobile data operators shall conduct risk assessment for its important data operating activities, and report the annual situation on automobile data processing activities to relevant government authorities.

LAWS AND REGULATIONS ON SECURITIES AND OVERSEAS LISTINGS

Securities Laws and Regulations

The Securities Law of the PRC (《中華人民共和國證券法》), which was promulgated by the SCNPC on December 29, 1998, and was latest amended on December 28, 2019 and took effect on March 1, 2020, comprehensively regulating activities in the mainland China securities market including issuance and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of securities regulatory authorities, etc. The Securities Law further regulates that a domestic enterprise issuing securities overseas directly or indirectly or listing their securities overseas shall comply with the relevant provisions of the State Council and for subscription and trading of shares of domestic companies using foreign currencies, detailed measures shall be stipulated by the State Council separately. The CSRC is the securities regulatory body set up by the State Council to supervise and administer the securities market according to law, maintain order in the market, and ensure the market operates in a lawful manner. Currently, the issue and trading of H shares are principally governed by the regulations and rules promulgated by the State Council and the CSRC.

Overseas Listings

On February 17, 2023, the CSRC released several regulations regarding the management of filings for overseas offerings and listings by domestic companies, including the Trial Measures for the Administration on Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Overseas Listing Trial Measures**”, together with several supporting guidelines collectively referred to as the “**Overseas Listing Regulations**”). Under Overseas Listing Regulations, mainland China domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to file the required documents with the CSRC within three working days after its application for overseas listing is submitted.

The Overseas Listing Regulations provides that no overseas offering and listing shall be made under any of the following circumstances: (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the domestic company intending to make the securities offering and listing, or its controlling shareholders and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to make the securities offering and listing is suspected of committing crimes or major violations of laws and regulations, and is under investigation according to law and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic

REGULATORY OVERVIEW

company’s controlling shareholder or by other shareholders that are controlled by the controlling shareholder and/or actual controller. Additionally, the Overseas Listing Regulations stipulates that after an issuer has offering and listing securities in an overseas market, the issuer shall submit a report to the CSRC within three working days after the occurrence and public disclosure of (i) a change of control thereof, (ii) investigations of or sanctions imposed on the issuer by overseas securities regulators or relevant competent authorities, (iii) changes of listing status or transfers of listing segment, and (iv) a voluntary or mandatory delisting. Overseas offering and listing by domestic companies shall be made in strict compliance with relevant laws, administrative regulations and rules concerning national security in spheres of foreign investment, cybersecurity, data security and etc., and duly fulfill their obligations to protect national security.

On February 24, 2023, the CSRC and three other relevant government authorities jointly promulgated the Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》). Pursuant to the Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Enterprises, where a domestic enterprise provides or publicly discloses any document or material that involving state secrets and working secrets of state agencies to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, it shall report to the competent department with the examination and approval authority for approval in accordance with the law, and submit to the secrecy administration department of the same level for filing. The working papers formed within the territory of mainland China by the securities companies and securities service agencies that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of mainland China. Cross-border transfer shall go through the examination and approval formalities in accordance with the relevant provisions of the State.

The laws and regulations in Hong Kong that have a significant impact on our business operations are set out below:

LAWS AND REGULATIONS ON CORPORATION

Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong)

The Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) requires every person, whether a company or an individual, who carries on a business in Hong Kong to apply for business registration certificate from the Inland Revenue Department of Hong Kong within one month from the date of commencement of the business, and to display the valid business registration certificate at the place of business. Any person who fails to apply for business registration or display a valid business registration certificate at the place of business shall be guilty of an offense, and shall be liable to a fine at level 2 (currently at HK\$5,000) and to imprisonment for one year.

Companies Ordinance (Chapter 622 of the Laws of Hong Kong)

The Companies Ordinance (Chapter 622 of the Laws of Hong Kong) governs the incorporation, corporate administration and ongoing statutory compliance of companies incorporated in Hong Kong. It sets out requirements relating to, among others, the maintenance of statutory registers, appointment and resignation of directors and company secretaries, filing of annual returns, preparation and audit of financial statements and notification of changes in corporate particulars.

REGULATORY OVERVIEW

Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong)

As our Group carries out business in Hong Kong, we are subject to the profits tax regime under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong).

The Inland Revenue Ordinance provides, among other things, that profits tax shall be charged on every person carrying on a trade, profession or business in Hong Kong in respect of his or her assessable profits arising in or derived from Hong Kong for a year of assessment at the rate of 8.25% on any part of assessable profits up to HK\$2,000,000, and 16.5% on any part of assessable profits over HK\$2,000,000 for corporate taxpayers. The Inland Revenue Ordinance also contains detailed provisions relating to, among other things, permissible deductions for outgoings and expenses, set-offs for losses and allowances for depreciations of capital assets.

LAWS AND REGULATIONS ON LABOR AND EMPLOYMENT

Employment Ordinance (Chapter 57 of the Laws of Hong Kong)

The Employment Ordinance (Chapter 57 of the Laws of Hong Kong) provides the following entitlements or protections to an employee: (a) year-end payments; (b) maternity and paternity protection; (c) rest days; (d) protection against anti-union discrimination; (e) severance payment; (f) long service payment; (g) employment protection; (h) sickness allowance; (i) holidays with pay; (j) annual leave with pay. Apart from the protections, the ordinance also provides standard duties and obligations to be implied in contracts between employers and employees, as well as the formalities to be observed for employment contracts.

Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)

The Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) provides for the payment of compensation to employees who are injured in the course of their employment. This ordinance sets out the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment or by prescribed occupational diseases.

Pursuant to section 40(1) of the Employees' Compensation Ordinance, no employer shall employ any employee in any employment unless there is in force in relation to such employee a policy of insurance issued by an insurer for an amount not less than the applicable amount specified in the ordinance. An employer contravening section 40(1) of the Employees' Compensation Ordinance commits an offense and is liable: (a) on conviction upon indictment to a fine at level 6 (currently at HK\$100,000) and to imprisonment for two years; and (b) on summary conviction to a fine at level 6 (currently at HK\$100,000) and to imprisonment for one year.

Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)

The Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) provides for, among others, the establishment, contributions, registration and regulation of non-governmental mandatory provident fund schemes for the purpose of funding benefits on retirement.

Unless otherwise exempted, pursuant to the Mandatory Provident Fund Schemes Ordinance, every employer of a relevant employee shall take all practicable steps to ensure that the employee becomes a member of a registered scheme and every employer of a relevant employee shall take all practicable steps to ensure that the employee continues to be so registered afterwards throughout his employment with that employer. Employers and employees are both required to contribute 5% of the employee's monthly relevant income as mandatory contribution to a mandatory provident fund scheme, subject to the minimum and maximum level of relevant income for contribution purpose, which are currently HK\$7,100 per month and HK\$30,000 per month respectively. An employer who without reasonable excuse fails to enroll his employees in a mandatory provident fund scheme commits an offense and is liable on conviction to a fine of HK\$350,000 and to imprisonment for three years, while an employer who without reasonable excuse fails to comply with the contribution requirement is liable to a fine of HK\$450,000 and to imprisonment for four years.

REGULATORY OVERVIEW

LAWS AND REGULATIONS ON TRADE

Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong)

The Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) codifies the law relating to the sale of goods. In general, where the seller sells goods in the course of a business, there is an implied condition that the goods supplied under the contract are of merchantable quality and reasonably fit for the particular purpose for which the goods are being bought. Section 15 of the Sale of Goods Ordinance provides that, where a contract for the sale of goods is by description, there is an implied condition that the goods shall correspond with the description. Section 17 of the Sale of Goods Ordinance provides that, in the case of a contract for sale by sample, there is an implied condition that: (a) the bulk shall correspond with the sample in quality; (b) the buyer shall have a reasonable opportunity of comparing the bulk with the sample; and (c) the goods shall be free from any defect rendering them unmerchantable, which would not be apparent on reasonable examination of the sample.

Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong)

The Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) governs descriptions of goods provided in the course of trade. According to section 7 of the Trade Descriptions Ordinance, no person shall in the course of trade or business apply a false trade description to any goods or sell or offer for sale any goods with false trade descriptions applied thereto.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OUR HISTORY

Overview

Our history traces back to 2016, when our Company was established. With over ten years of experience in the commercial vehicle service industry, we have now developed into a leading commercial vehicle service provider and supply chain platform in China. 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.

Milestones

The following sets out a summary of our key development milestones:

<u>Year</u>	<u>Milestones</u>
2016	Our inception
2021	We completed nationwide network coverage while concurrently introducing overseas business We initiated our joint venture business model, creating a model partnership between state-owned and private enterprises
2022	We launched the SRM supplier platform “Chanxiaobao (產銷寶)”, enabling agile sourcing, supplier response, reconciliation and logistics tracking We were awarded the AEO (Authorized Economic Operator) Certificate by Hangzhou Customs
2024	We were recognized as a “Pioneer” enterprise in the integration of domestic and foreign trade by the Zhejiang Provincial Department of Commerce We were named one of the Top 20 Foreign Trade Enterprises in Rui’an for 2024 by the Rui’an Municipal People’s Government
2025	We were selected as one of the 2025 Zhejiang Future Unicorn Top 100 enterprises by the Zhejiang Provincial Committee of the China National Democratic Construction Association, the Zhejiang Federation of Industry and Commerce, and the China Investment Development Promotion Association
2026	We undertook the organization and operation of the Shanghai International Permanent Auto Parts Exhibition Center (上海國際汽配永久展館)

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OUR MAJOR SUBSIDIARY

The following table sets out the principal business activities and the date and place of incorporation of each member of our Group that made a material contribution to our results of operations during the Track Record Period:

Name of Subsidiary	Date of incorporation	Place of incorporation	Shareholding	Principal business activities
New SORL Auto Parts Hongkong Company Limited (新瑞立汽配香港有限公司) (“New SORL HK”)	December 20, 2021	Hong Kong	100%	Retail of auto parts

HISTORY AND DEVELOPMENT

A. Establishment of our Company

Our Company was established on January 7, 2016 in the PRC. Upon establishment, the registered capital of our Company was RMB10,000,000 and our Company had four Shareholders at the time. Details of our shareholding structure at the time of establishment were as follows:

No.	Name of Shareholder	Amount of registered capital (RMB)	Approximate shareholding
1. . . .	Ruili Company	2,500,000	25.00%
2. . . .	Ms. Zhang Jiarui (張佳睿)	2,500,000	25.00%
3. . . .	Ms. Yu Jinrui (余錦瑞)	2,500,000	25.00%
4. . . .	Mr. Xu Benguang (徐本光)	2,500,000	25.00%
Total:		10,000,000	100.00%

Ms. Zhang Jiarui is a daughter of Mr. Zhang and Ms. Chi, our Controlling Shareholders. Ms. Yu Jinrui is one of our executive Directors and our general manager and Mr. Xu Benguang is one of our executive Directors and our vice general manager.

B. Changes in the shareholding structure of our Company and other major corporate events

Since the establishment of our Company, we have undertaken a series of equity transfers and [REDACTED] Investment by way of capital injections to, amongst others, optimize our shareholding structure, motivate our entire workforce and raise funds for the development of our business. Please see “— [REDACTED] Investments” in this section for details of our [REDACTED] Investors and their corresponding investments.

(i) Equity transfers in November 2018

In November 2018, each of Ms. Zhang Jiarui, Ms. Yu Jinrui and Mr. Xu Benguang entered into an equity transfer agreement with Ruili Company respectively, and in December 2018 they entered into a supplemental agreement, pursuant to these agreements, and in light of the fact that none of the transferors had made any capital contribution, each of them transferred RMB2,500,000 of our registered capital at nil consideration to Ruili Company, with Ruili Company assuming the obligation to make the corresponding capital contributions. No actual payment of the aforementioned consideration was made by any party, and such equity transfer arrangements are in compliance with applicable laws and regulations in material aspects as confirmed by our PRC Legal Advisers.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

(ii) Change in the name of our Company in August 2020

In August 2020, our then Shareholders resolved to amend our Articles and rename our Company from Zhejiang Ruili Commercial Vehicle Service Co., Ltd.* (浙江瑞立商用車服務有限公司) to Zhejiang Xinruili Auto Parts Co., Ltd.* (浙江新瑞立汽配有限公司). The relevant business registration procedures were completed on August 24, 2020.

(iii) Equity transfer in March 2021

In March 2021, Ruili Company entered into an equity transfer agreement with Ruili Ruiheng, pursuant to which Ruili Company transferred RMB1,500,000 of our registered capital to Ruili Ruiheng at a consideration of RMB1,500,000. The consideration was fully settled in March 2021.

(iv) Capital increase in March 2021

According to the Shareholders’ resolution passed on March 24, 2021, our registered capital increased from RMB10,000,000 to RMB100,000,000. The additional RMB90,000,000 registered capital was subscribed by Ruili Company and Ruili Ruiheng in the amounts of RMB76,500,000 and RMB13,500,000, respectively at a consideration of RMB3.22 for each unit of registered capital. The consideration was fully settled in March 2021.

(v) Setting up of the first Employees Shareholding Platform in May 2021 and capital increase in July 2021

In May 2021, our Company set up Xinruili No.1, one of our Employees Shareholding Platforms for the purpose of incentivizing and rewarding our core employees.

According to the Shareholders’ resolution passed on July 6, 2021, our registered capital increased from RMB100,000,000 to RMB101,025,000. The additional RMB1,025,000 registered capital was subscribed by Xinruili No.1, at a consideration of RMB40 for each unit of registered capital. The relevant consideration for the capital increase was determined based on arm’s length negotiation, taking into consideration the then market conditions and valuation of our Group, and was set at a discount to the market price in order to provide an incentive to the employees. The consideration was fully settled in June 2021.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

(vi) Series A Investment in November 2021 (“Series A Investment”)

In August 2021, we and our then Shareholders entered into capital increase agreements with nine investors (collectively, the “**Series A Investors**”), respectively. After the completion of the Series A Investment, our registered capital increased from RMB101,025,000 to RMB107,005,680. The relevant considerations for the capital increase were determined based on arm’s length negotiation after taking into consideration the then market conditions and valuation of our Group. The considerations were fully settled in September 2021. The respective subscription amount and consideration paid by Series A Investors were as follows:

No.	Investors	Equity Interest subscribed (RMB)	Consideration (RMB)
1. . . .	Hefei Hetai Hengxu Equity Investment Partnership (Limited Partnership)* (合肥和泰恒旭股權投資合夥企業(有限合夥)) (“ Hefei Hetai ”)	1,010,250	50,000,000
2. . . .	Suzhou Juanyong Equity Investment Partnership (Limited Partnership)* (蘇州雋永股權投資合夥企業(有限合夥)) (“ Suzhou Juanyong ”)	1,010,250	50,000,000
3. . . .	Wenzhou Transportation Group Co., Ltd.* (溫州市交通運輸集團有限公司) (“ Wenzhou Transportation ”)	1,010,250	50,000,000
4. . . .	Zhucheng Yihe Axles Co., Ltd.* (諸城市義和車橋有限公司) (“ Yihe Axles ”)	606,150	30,000,000
5. . . .	Qingte Group Co., Ltd.* (青特集團有限公司) (“ Qingte Group ”)	606,150	30,000,000
6. . . .	Mr. Pan Xiaojian (潘霄劍) (“ Mr. Pan ”)	606,150	30,000,000
7. . . .	Shanghai Aotu Entrepreneurship Investment Management Center (Limited Partnership)* (上海鰲圖創業投資管理中心(有限合夥)) (“ Shanghai Aotu ”)	323,280	16,000,000
8. . . .	Shanghai Fangu Asset Management Partnership Enterprise (Limited Partnership)* (上海樊固資產管理合夥企業(有限合夥)) (“ Shanghai Fangu ”)	202,050	10,000,000
9. . . .	Ruili No. 52	606,150	30,000,000
Total:		5,980,680	296,000,000

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

(vii) Series B Investments (“Series B Investment”) in June and August 2023

In June and August 2023, we and our then Shareholders entered into capital increase agreements with eight investors (collectively, the “Series B Investors”), respectively, pursuant to which such investors subscribed for the increased registered capital in the amounts of RMB6,914,213.18 for an aggregate consideration of RMB420,000,000. The relevant considerations for the capital increase were determined based on arm’s length negotiation after taking into consideration the then market conditions and valuation of our Group. The considerations were largely settled in March 2024, save for the final RMB55,000,000, which was settled in March 2026 due to the state-owned capital filing process. Upon completion of the Series B Investment, our registered capital increased from RMB107,005,680 to RMB113,919,893.18. The subscription amount and consideration paid by the Series B Investors were as follows:

No.	Investors	Equity Interest subscribed (RMB)	Consideration (RMB)
1. . . .	Wenzhou Transportation	1,646,241.23	100,000,000
2. . . .	Shanghai Fangu	164,624.12	10,000,000
3. . . .	Rui’an Zhongjin Xingqi Equity Investment Partnership Enterprise (Limited Partnership)* (瑞安市中金興企股權投資合夥企 業(有限合夥)) (“Zhongjin Xingqi”)	1,646,241.23	100,000,000
4. . . .	Jiaxing Ruijian Zhanlue Venture Capital Partnership (Limited Partnership)* (嘉興睿寬棧略創業投資合夥企業 (有限合夥)) (“Jiaxing Ruijian”)	1,234,680.93	75,000,000
5. . . .	Rui’an Jihe Construction Engineering Co., Ltd.* (瑞安市吉禾建築工程有限公司) (“Rui’an Jihe”)	1,070,056.80	65,000,000
6. . . .	Wenzhou Haisu Co Creation Equity Investment Partnership (Limited Partnership)* (溫州海肅共創股權投資合夥企業 (有限合夥)) (“Wenzhou Haisu”)	493,872.37	30,000,000
7. . . .	Anhui Bohai Co Creation Equity Investment Fund Partnership (Limited Partnership)* (安徽毫海共創股權投資基金合夥 企業(有限合夥)) (“Anhui Bohai”)	329,248.25	20,000,000
8. . . .	Langfang State owned Assets Management Co., Ltd.* (廊坊市國有資產經營有限公司) (“Langfang Guozi”)	329,248.25	20,000,000
Total:		6,914,213.18	420,000,000

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

(viii) Conversion into joint stock limited liability company in June 2026

Pursuant to Shareholders’ resolutions passed on May 27, 2026, our Company was converted into a joint stock company with limited liability and renamed as Zhejiang New SORL Auto Parts Co., Ltd.* (浙江新瑞立汽配股份有限公司) on June 12, 2026.

Pursuant to a promoters’ agreement dated May 27, 2026 entered into by all Shareholders at the time, it was agreed that based on the audited net assets value of our Company as of March 31, 2026, being RMB1,079,953,912.38, (i) RMB227,839,787 was credited as the registered share capital of our Company and such net assets were converted into 227,839,787 Shares of our Company with a nominal value of RMB1.00 each at a 1:0.2110 ratio, and (ii) the remaining RMB852,114,125.38 was credited as the capital reserve of our Company.

CAPITALIZATION TABLE

The following table sets out the shareholding structure of our Company and as at the Latest Practicable Date and upon [REDACTED] (assuming the [REDACTED] is not exercised):

No.	Name of Shareholder	Number of Shares held as at the Latest Practicable Date	Approximate shareholding as at the Latest Practicable Date	Number of Shares held upon [REDACTED]	Approximate shareholding upon [REDACTED]	Number of H Shares held upon the completion of the [REDACTED]	Number of Domestic Unlisted Shares held upon the completion of the [REDACTED]	Whether the Shares will be counted towards the public float
				[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
					(Note)	(Note)	(Note)	
1. . . .	Ruili Company	170,000,000	74.61%	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]
2. . . .	Ruili Ruiheng	30,000,000	13.17%	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]
3. . . .	Wenzhou Transportation	5,312,983	2.33%	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]
4. . . .	Zhongjin Xingqi	3,292,483	1.45%	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]
5. . . .	Jiaxing Ruijian	2,469,362	1.08%	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]
6. . . .	Rui’an Jihe	2,140,111	0.94%	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]
7. . . .	Xinruili No.1	2,050,000	0.90%	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]
8. . . .	Suzhou Juanyong	2,020,500	0.89%	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]
9. . . .	Hefei Hetai	2,020,500	0.89%	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]
10. . . .	Mr. Pan	1,212,300	0.53%	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]
11. . . .	Ruili No.52	1,212,300	0.53%	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]
12. . . .	Yihe Axles	1,212,300	0.53%	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]
13. . . .	Qingte Group	1,212,300	0.53%	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]
14. . . .	Wenzhou Haisu	987,745	0.43%	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]
15. . . .	Shanghai Fangu	733,349	0.32%	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]
16. . . .	Anhui Bohai	658,497	0.29%	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]
17. . . .	Langfang Guozi	658,497	0.29%	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]
18. . . .	Shanghai Aotu	646,560	0.28%	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]
Total: . .		227,839,787	100%	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]

Note:

Assuming the [REDACTED] is not exercised.

Our PRC Legal Advisers have confirmed that the abovementioned establishment of our Company, equity transfers, capital increases, change of name, setting up of Employees Shareholding Platforms, and joint stock conversion have been properly and legally completed and settled and the Company have been obtained requisite regulatory approvals in accordance with the applicable PRC laws and regulations.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

EMPLOYEES SHAREHOLDING PLATFORMS

As at the Latest Practicable Date, we had established 15 Employees Shareholding Platforms, of which Xinruili No.1 was a registered Shareholder of our Company. As at the Latest Practicable Date, Xinruili No.1 was owned as to (i) approximately 0.02% by Ruili Ruiheng, one of our Controlling Shareholders, as the general partner, (ii) approximately 1.71% by Ms. Yu Jinrui, our executive Director and general manager, as a limited partner, and (iii) the remaining approximately 98.27% by 14 other Employees Shareholding Platforms, as limited partners. Each of the remaining 14 Employees Shareholding Platforms is a limited partnership, with Ruili Ruiheng acting as the general partner and employees of the Group as the limited partners. Particulars of the 14 Employees Shareholding Platforms as at the Latest Practicable Date are set out below:

- (a) ***Xinruili No.2:*** Xinruili No.2 held approximately 10.27% of the partnership interests in Xinruili No. 1, and was owned as to (i) approximately 10.93% by Ruili Ruiheng as the general partner, (ii) approximately 9.50% by Mr. Xu Benguang, an executive Director and vice general manager of our Group, as a limited partner, (iii) approximately 7.13% by Mr. Miao Quanhu (繆權虎), a director/manager/supervisor of certain subsidiaries of our Group, as a limited partner and (iv) approximately 72.45% by 36 other individuals as the other limited partners, who are current employees of our Group in the positions of regional managers and deputy managers, heads and deputy heads of various functional departments including regional sales management, cooperation management, technical service and general management, managers and deputy managers in stores, domestic and international sales departments, documentation clerks, accountants and price review specialists. All these 36 individuals are independent third parties, and none of them holds 30% or more of the interests therein.
- (b) ***Xinruili No.3:*** Xinruili No.3 held approximately 7.46% of the partnership interests in Xinruili No. 1, and was owned as to (i) approximately 10.13% by Ruili Ruiheng as the general partner, and (ii) approximately 89.87% by 36 other individuals as the limited partners, who are current employees of our Group in the positions of managers of stores and centers, ERP implementation engineers, heads, deputy heads, administrators, specialists and clerks of operational and various other functional departments including information management, big data management, supply chain procurement, and coordination planning and group leaders. All these 36 individuals are independent third parties, and none of them holds 30% or more of the interests therein.
- (c) ***Xinruili No.4:*** Xinruili No.4 held approximately 9.17% of the partnership interests in Xinruili No. 1, and was owned as to (i) approximately 4.26% by Ruili Ruiheng as the general partner, (ii) approximately 7.98% by Mr. Feng Qiancun (馮乾存), a Director of our Company who resigned within the last 12 months, as a limited partner, and (iii) approximately 87.77% by 31 other individuals as the other limited partners, who are current employees of our Group in the positions of general managers of provincial and municipal marketing management centers, managers, deputy managers, key clerks and sales persons of stores, heads, deputy heads, project managers, product managers and specialists of various departments including regional market management, regional market development, receivable management, technical quality management and general management and staff of stores. All these 31 individuals are independent third parties, and none of them holds 30% or more of the interests therein.
- (d) ***Xinruili No.5:*** Xinruili No.5 held approximately 8.93% of the partnership interests in Xinruili No. 1, and was owned as to (i) approximately 4.37% by Ruili Ruiheng as the general partner, and (ii) approximately 95.63% by 36 other individuals as the limited partners, who are current employees of our Group in the positions of joint chief operating officer, heads, deputy heads, managers, product managers, key sales persons and clerks of stores, marketing centers, domestic supply chain management department and regional general management departments and quality engineer. All these 36 individuals are independent third parties, and none of them holds 30% or more of the interests therein.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

- (e) ***Xinruili No.6:*** Xinruili No.6 held approximately 4.54% of the partnership interests in Xinruili No. 1, and was owned as to (i) approximately 0.54% by Ruili Ruiheng as the general partner, and (ii) approximately 99.46% by 26 other individuals as the limited partners, who are current employees of our Group in the positions of chief digital officer, head of big data management department, heads, deputy heads and product managers of regional marketing departments, regional general management department, accountants and warehouse staff of logistic centers. All these 26 individuals are independent third parties, and none of them holds 30% or more of the interests therein.
- (f) ***Xinruili No.7:*** Xinruili No.7 held approximately 8.44% of the partnership interests in Xinruili No. 1, and was owned as to (i) approximately 8.96% by Ruili Ruiheng as the general partner, and (ii) approximately 91.04% by 32 other individuals as the limited partners, who are current employees of our Group in the positions of heads of stores and plants, staff of human resources department, managers of regional sales management centers and heads of market development department, technical quality management department and stores. All these 32 individuals are independent third parties, and none of them holds 30% or more of the interests therein.
- (g) ***Xinruili No.8:*** Xinruili No.8 held approximately 5.27% of the partnership interests in Xinruili No. 1, and was owned as to (i) approximately 14.35% by Ruili Ruiheng as the general partner, and (ii) approximately 85.65% by 25 other individuals as the limited partners, who are current employees of our Group in the positions of managers and deputy managers of regional sales management centers, product managers of international technical service department and regional market development department, heads, deputy heads and key sales person of stores. All these 25 individuals are independent third parties, and none of them holds 30% or more of the interests therein.
- (h) ***Xinruili No.9:*** Xinruili No.9 held approximately 8.80% of the partnership interests in Xinruili No. 1, and was owned as to (i) approximately 0.28% by Ruili Ruiheng as the general partner, (ii) approximately 8.31% by Ms. Zhou Meiyuan (周美燕), a director who resigned from a subsidiary within the last 12 months, as a limited partner, (iii) approximately 2.77% by Ms. Jin Lidun (金麗丹), a director and general manager of our subsidiaries, as a limited partner, and (iv) approximately 88.64% by 34 other individuals as the other limited partners, who are current employees of our Group in the positions of head of international technical service department, managers, deputy managers and accountants of regional sales management centers, product managers of regional market development market and heads, deputy heads, key sales persons and business associates of stores and regional warehouse centers keepers. All these 34 individuals are independent third parties, and none of them holds 30% or more of the interests therein.
- (i) ***Xinruili No.10:*** Xinruili No.10 held approximately 1.73% of the partnership interests in Xinruili No. 1, and was owned as to (i) approximately 1.41% by Ruili Ruiheng as the general partner, and (ii) approximately 98.59% by 11 other individuals as the limited partners, who are current employees of our Group in the positions of head of domestic general management department, product manager of domestic sales management department, heads, deputy heads and associates of stores and domestic pooling management department. All these 11 individuals are independent third parties, and none of them holds 30% or more of the interests therein.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

- (j) **Xinruili No.11:** Xinruili No.11 held approximately 7.10% of the partnership interests in Xinruili No. 1, and was owned as to (i) approximately 7.22% by Ruili Ruiheng as the general partner, and (ii) approximately 92.78% by 38 other individuals as the limited partners, who are current employees of our Group in the positions including heads, deputy heads, general managers, product managers, accountants and delivery persons of international supply chain management departments, market development departments, regional logistic centers and sales management centers and branch store associates. All these 38 individuals are independent third parties, and none of them holds 30% or more of the interests therein.
- (k) **Xinruili No.12:** Xinruili No.12 held approximately 7.95% of the partnership interests in Xinruili No. 1, and was owned as to (i) approximately 9.51% by Ruili Ruiheng as the general partner, and (ii) approximately 90.49% by 24 other individuals as the limited partners, who are current employees of our Group in the positions of regional joint venture cooperation general manager, heads of international sales management department and market development department, managers and deputy managers of provincial sales management centers, associate specialists of domestic management department, engineer of information management department and heads, deputy managers of branch stores. All these 24 individuals are independent third parties, and none of them holds 30% or more of the interests therein.
- (l) **Xinruili No.13:** Xinruili No.13 held approximately 4.41% of the partnership interests in Xinruili No. 1, and was owned as to (i) approximately 0.55% by Ruili Ruiheng as the general partner, and (ii) approximately 99.45% by 21 other individuals as the limited partners, who are current employees of our Group in the positions of managers, deputy managers and accountant of regional sales management centers, warehouse keeper of local logistic centers, head, deputy head, key sales person and associate of regional market development departments, branch stores and workshop group leaders. All these 21 individuals are independent third parties, and none of them holds 30% or more of the interests therein.
- (m) **Xinruili No.14:** Xinruili No.14 held approximately 9.05% of the partnership interests in Xinruili No. 1, and was owned as to (i) approximately 40.70% by Ruili Ruiheng as the general partner, and (ii) approximately 59.30% by 23 other individuals as the limited partners, who are current employees of our Group in the positions of heads, deputy heads, managers, accountants, project managers, financial or other specialists, associates of several functional departments including domestic payables to suppliers department, logistic management department, domestic procurement department, international technical quality department, financial management department, funds management departments and public transportation store, domestic quality engineer and audit specialist. All these 23 individuals are independent third parties, and none of them holds 30% or more of the interests therein.
- (n) **Xinruili No.15:** Xinruili No.15 held approximately 5.15% of the partnership interests in Xinruili No. 1, and was owned as to (i) approximately 47.87% by Ruili Ruiheng as the general partner, (ii) approximately 9.48% by Mr. Wu Zhengchu (吳正初), an executive Director, employees' representative Director and chief information officer of our Group, as a limited partner, and (iii) approximately 42.65% by nine other individuals as the other limited partners, who are current employees of our Group in the positions of product managers of international technical service department and market development department, general management and planning specialists of general management department and international online operation, head of domestic warehouse department and receivable management departments and implementation engineer of information management department. All these nine individuals are independent third parties, and none of them holds 30% or more of the interests therein.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

PUBLIC FLOAT

With respect to the indicative [REDACTED] of HK\$[REDACTED], HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED] (being the low-end, mid-point and the high-end of the [REDACTED], respectively), the expected [REDACTED] of the class of shares where the Company's H Shares belong to would be over HK\$6,000 million but not exceeding HK\$30,000 million. Pursuant to Rule 19A.13A(1) of the Listing Rules, the minimum number of H Shares held by the [REDACTED] at the time of [REDACTED] as a percentage of the total number of shares in the class to which H Shares belong is determined at the higher of: (i) the percentage that would result in the expected [REDACTED] of such securities held by the [REDACTED] to be HK\$1,500 million at the time of [REDACTED]; and (ii) 15%.

Following the completion of the [REDACTED] and filing procedure with the CSRC, [REDACTED] Domestic Unlisted Shares held by the part of the existing Shareholders will be converted into H Shares on a one-for-one basis and [REDACTED] on Stock Exchange for [REDACTED].

- (a) Ruili Company, Ruili Ruiheng, Xinruili No.1 and Ruili No.52, our Controlling Shareholders, will be deemed as our core connected persons. A total of [REDACTED] Domestic Unlisted Shares held by them will be converted into H Shares and [REDACTED] on the Stock Exchange. As the foregoing Shareholders constitute our core connected persons, the aforesaid Shares shall be excluded from calculation of the public float, representing approximately [REDACTED]% of our total [REDACTED] share capital in aggregate;
- (b) a total of [REDACTED] Domestic Unlisted Shares held by 12 Shareholders, who are not our core connected persons, will be converted into H Shares and [REDACTED] on the Stock Exchange, and therefore will be counted as part of the public float, representing approximately [REDACTED]% of our share capital in aggregate.

Based on the above and assuming (i) an indicative [REDACTED] of HK\$[REDACTED], HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED] (being the low-end, mid-point and the high-end of the [REDACTED], respectively) and (ii) immediately upon completion of the [REDACTED] and the conversion of Domestic Unlisted Shares into H Shares, taking into account [REDACTED] H Shares to be [REDACTED] pursuant to the [REDACTED] (assuming that the [REDACTED] is not exercised) and [REDACTED] H Shares to be converted from Domestic Unlisted Shares held by the Shareholders who are not our core connected persons, an aggregate of [REDACTED] H Shares will count towards the public float of our Company for the purpose of Rule 19A.13A(1) of the Listing Rules, representing approximately [REDACTED]% of the total [REDACTED] Shares of our Company, the [REDACTED] of the H Shares held by the [REDACTED] at the time of [REDACTED] will be approximately HK\$[REDACTED], HK\$[REDACTED] and HK\$[REDACTED], respectively. Therefore, our Company will be able to meet the minimum public float requirement under Rule 19A.13A.

FREE FLOAT

Under Rule 19A.13C of the Listing Rules, a PRC issuer with no other listed shares at the time of listing must ensure that a portion of the total number of its issued shares listed on the Stock Exchange (namely H shares) that are not subject to any disposal restrictions (whether under contract, the Listing Rules, applicable laws or otherwise) at the time of listing (i) represent at least 10% of the total number of issued shares in the class to which H shares belong at the time of listing, with an expected market value at the time of listing of not less than HK\$50,000,000; or (ii) have an expected market value at the time of listing of not less than HK\$600,000,000.

Based on the minimum [REDACTED] of HK\$[REDACTED] per H Share, the Company will satisfy the free float requirement under Rule 19A.13C of the Listing Rules.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

[REDACTED] INVESTMENTS

Our [REDACTED] Investments consist of two rounds of investments from the [REDACTED] Investors by way of subscription of our additional registered share capital.

The table below summarizes the principal terms of the [REDACTED] Investments:

	<u>Series A Investment</u>	<u>Series B Investment</u>
Date(s) of agreement(s) .	August 3, 12, 13 and 26, 2021	June 8 and August 15, 2023
Name of investors	Hefei Hetai, Suzhou Juanyong, Wenzhou Transportation, Yihe Axles, Qingte Group, Mr. Pan, Shanghai Aotu, Shanghai Fangu and Ruili No. 52	Wenzhou Transportation, Shanghai Fangu, Zhongjin Xingqi, Jiaxing Ruijian, Rui'an Jihe, Wenzhou Haisu, Anhui Bohai and Langfang Guozi
Date on which investment was fully settled	September 16, 2021	March 26, 2026
Registered capital Subscribed (RMB) . .	5,980,680.00	6,914,213.18
Total consideration paid (RMB)	296,000,000.00	420,000,000.00
Approximate cost per Share (RMB) ⁽¹⁾	24.75	30.37
Discount to the [REDACTED] ⁽²⁾	[REDACTED]%	[REDACTED]%
Pre-money valuation of our Company (RMB) ⁽⁴⁾	5,000.00 million	6,500.00 million
Post-money valuation of our Company (RMB) ⁽⁴⁾	5,296.00 million	6,920.00 million
Basis of consideration .	The consideration of [REDACTED] Investments was determined based on arm's length negotiations between our Company and the [REDACTED] Investors with reference to our Company's business development stage, financial performance and the timing of the investments and the prospects of our business.	

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

	<u>Series A Investment</u>	<u>Series B Investment</u>
Use of proceeds from the [REDACTED] Investments	We utilized most of the proceeds from the [REDACTED] Investments for the development and operation of our principal business and other general working capital purposes. As of the Latest Practicable Date, we had fully utilised all proceeds from the [REDACTED] Investments.	
Strategic benefits to our Company	Our Directors are of the view that our Group could benefit from the additional capital provided by the [REDACTED] Investors and their knowledge and experience. Moreover, the investments by the [REDACTED] Investors demonstrated their confidence in the business operations of our Group and served as an endorsement of our performance and prospects.	
Special rights	According to the updated shareholders’ agreement entered into by the Company and all Shareholders dated August 15, 2023, the [REDACTED] Investors, severally or jointly, are conferred a suite of special shareholder rights, including, without limitation, protective provisions covering anti-dilution rights, preemptive subscription rights, rights of first refusal, tag-along rights, put rights, drag-along rights, preferential liquidation rights, information and inspection rights, non-compete obligations, most-favoured-nation treatment, and voting and examination rights concerning corporate governance matters. As of the Latest Practicable Date, the Company, its Controlling Shareholders and the [REDACTED] Investors have executed agreements for the termination of the special rights previously granted to the [REDACTED] Investors. While the termination dates of the special rights vary among the agreements, the share repurchase rights and preferential liquidation rights under the aforesaid rights have been terminated prior to the day of the Company’s initial submission of [REDACTED] to the Stock Exchange, and shall be deemed null and void <i>ab initio</i> and incapable of reinstatement. Furthermore, all remaining special rights shall lapse automatically on or prior to the [REDACTED].	

Notes:

- (1) The calculation is based on the total number of [REDACTED] Shares with a nominal value of RMB1.00 each in [REDACTED] immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised). The cost per Share was adjusted with reference to the conversion of our Company from a limited liability company to a joint stock limited liability company in June 2026.
- (2) The discount percentages are based on (i) an [REDACTED] of HK\$[REDACTED], being the mid-point of the indicative range of the [REDACTED]; and (ii) the exchange rate of USD1 to RMB6.8096 and RMB1 to HKD1.1502 as set out in the section headed “Information about this Document and the [REDACTED]”.
- (3) Apart from the newly issued capital of our Company subscribed for by the investors, there have been equity transfers carried out between our Shareholders. For details, please see “— Equity transfers in November 2018” and “— Equity transfer in March 2021” in this section. Such consideration is excluded from the total consideration paid set out in the above table.
- (4) The post-money valuation is calculated by dividing the total consideration of equity subscriptions under the relevant round of the [REDACTED] investment by the percentage of the new subscribed equity interest in the total registered capital of our Company at the relevant time. The pre-money valuation is calculated by excluding the total consideration of equity subscriptions from the post-money valuation under the relevant round of the [REDACTED] investment. The valuation of our Company has been increasing along with our business development.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Information about our [REDACTED] Investors

Wenzhou Transportation

Wenzhou Transportation is a limited liability company established under the laws of the PRC, principally engaged in urban public transit, rural and intercity passenger transportation and other livelihood services, and also serving as an investment platform with a strategic focus on transportation infrastructure, new energy and emerging sectors. It is wholly-owned by Wenzhou Transportation Development Group Co., Ltd.* (溫州市交通發展集團有限公司), which is ultimately controlled by Wenzhou State-owned Assets Supervision and Administration Commission* (溫州市人民政府國有資產監督管理委員會), an independent third party. As at the Latest Practicable Date, Wenzhou Transportation held approximately 2.33% of the total issued Shares of the Company.

Zhongjin Xingqi

Zhongjin Xingqi is a limited partnership established under the laws of the PRC, principally engaged in private equity investment and fund management services. Its general partner is CICC Private Equity Investment Management Co., Ltd.* (中金私募股權投資管理有限公司) (the “**CICC Private**”), which holds 1% of the partnership interests therein. CICC Private is a wholly-owned subsidiary of China International Capital Corporation Limited (中國國際金融股份有限公司), an investment bank whose shares are listed on the Shanghai Stock Exchange (stock code: 601995) and the Main Board of the Stock Exchange (stock code: 3908) which is ultimately controlled by the State Council of the People’s Republic of China (中華人民共和國國務院), an independent third party. Zhongjin Xingqi has two limited partners, namely Ruian Chuangyi Equity Investment Co., Ltd.* (瑞安市創翼股權投資有限公司) (the “**Ruian Chuangyi**”), which holds 69% of the interests therein, and Ruian Industrial Fund Co., Ltd.* (瑞安市產業基金有限公司) (the “**Ruian Industrial**”), which holds 30% of the interests therein. Both Ruian Chuangyi and Ruian Industrial are ultimately controlled by Ruian Municipal Finance Bureau (瑞安市財政局), an independent third party. As at the Latest Practicable Date, Zhongjin Xingqi held approximately 1.45% of the total issued Shares of the Company.

Jiaxing Ruijian and Shanghai Fangu

Jiaxing Ruijian is a limited partnership established under the laws of the PRC, principally engaged in venture capital investments in unlisted companies. The general partner of Jiaxing Ruijian is Shanghai Ruijian Venture Capital Management Co., Ltd.* (上海睿寬創業投資管理有限公司) (the “**Shanghai Ruijian**”), which holds approximately 0.05% of the partnership interests therein and is ultimately controlled by Mr. Zhong Kai (仲凱), an independent third party. Jiaxing Ruijian has three limited partners. Wenzhou Ruili Lichuang Industry Co., Ltd.* (溫州瑞立立創實業有限公司) (the “**Ruili Lichuang**”), which holds approximately 95.96% of the interests in Jiaxing Ruijian, is owned as to 55% by Ruili Company and 45% by Ms. Chi, our Controlling Shareholder. Neither of the other two limited partners, each being an independent third party, holds 30% or more of the interests in Jiaxing Ruijian.

Shanghai Fangu is a limited partnership established under the laws of the PRC, principally engaged in asset management and investment management. The general partner of Shanghai Fangu is Shanghai Ruijian, which holds approximately 1.03% of the interests therein. Shanghai Fangu has 16 limited partners, who are individuals and/or entities, each of whom is an independent third party and holds no more than 30% of the interests therein.

As at the Latest Practicable Date, Jiaxing Ruijian and Shanghai Fangu together held approximately 1.41% of the total issued Shares of the Company.

Rui’an Jihe

Rui’an Jihe is a limited liability company established under the laws of the PRC, principally engaged in the provision of construction engineering services. It is owned as to 80% by Mr. Hong Yongliang (洪永亮) and as to 20% by Mr. Yu Juxing (余巨興), both of whom are independent third parties. As at the Latest Practicable Date, Rui’an Jihe held approximately 0.94% of the total issued Shares of the Company.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Hefei Hetai and Suzhou Juanyong

Hefei Hetai is a limited partnership established under the laws of the PRC, principally engaged in equity investment and venture capital. The general partner of Hefei Hetai is Shanghai Hengxu Chuangling Private Equity Fund Management Co., Ltd.* (上海恒旭創領私募基金管理有限公司) (the “**Hengxu Chuangling**”), which holds approximately 0.25% of the interests therein and is ultimately controlled by Mr. Lu Yongtao (陸永濤), an independent third party. Hefei Hetai has two limited partners, namely Shanghai Yangtze River Delta Industrial Upgrading Equity Investment Partnership (Limited Partnership)* (上海長三角產業升級股權投資合夥企業(有限合夥)) (“**Shanghai Yangtze River Delta**”), which holds approximately 74.75% of the interests therein and is controlled by Mr. Lu Yongtao, and one other limited partner, who is an independent third party and does not hold 30% or more of the interests therein.

Suzhou Juanyong is a limited partnership established under the laws of the PRC, principally engaged in equity investment and venture capital. The general partner of Suzhou Juanyong is Hengxu Chuangling, which holds approximately 1% of the interests therein. Suzhou Juanyong has two limited partners, namely Shanghai Yangtze River Delta, which holds approximately 79% of the interests therein, and one other limited partner, who is an independent third party and does not hold 30% or more of the interests therein.

As at the Latest Practicable Date, Hefei Hetai and Suzhou Juanyong together held approximately 1.77% of the total issued Shares of the Company.

Mr. Pan

As confirmed by Directors, we became acquainted with Mr. Pan through the introduction of Mr. Zhang, our honorary chairman of the Board and non-executive Director. Mr. Pan, the chairman of Shanghai Ruilijiaye Real Estate Development Co., Ltd.* (上海瑞立佳業房地產開發有限公司), a subsidiary of Ruili Company, is an independent third party. As at the Latest Practicable Date, Mr. Pan held approximately 0.53% of the total issued Shares of the Company.

Qingte Group

Qingte Group is a limited liability company established under the laws of the PRC, principally engaged in the research, development and manufacturing of automotive components. It is owned as to approximately 49.84% by Mr. Ji Aishi (紀愛師) and approximately 50.16% by eight other individual shareholders, each of whom is an independent third party and none of whom holds 30% or more of interest therein. Mr. Ji Aishi is ultimately in control of Qingte Group and is an independent third party. As at the Latest Practicable Date, Qingte Group held approximately 0.53% of the total issued Shares of the Company.

Yihe Axles

Yihe Axles is a limited liability company established under the laws of the PRC, principally engaged in the research, development and manufacturing of automotive axles and components. It is owned as to 45% by Mr. Chen Gongbo (陳宮博) and 55% by 19 other individual shareholders, each of whom is an independent third party and none of whom holds 30% or more of interest therein. Mr. Chen Gongbo is ultimately in control of Yihe Axles and is an independent third party. As at the Latest Practicable Date, Yihe Axles held approximately 0.53% of the total issued Shares of the Company.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Wenzhou Haisu and Anhui Bohai

Wenzhou Haisu is a limited partnership established under the laws of the PRC, principally engaged in equity investment and venture capital. Wenzhou Haisu has two general partners, being: (i) Qingdao Haili Fangzhou Equity Investment Management Co., Ltd.* (青島海立方舟股權投資管理有限公司) (the “**Haili Fangzhou**”) as the executive partner, which holds approximately 0.52% of the interests therein and is controlled by Haier Group Corporation (海爾集團公司) (an urban collectively-owned enterprise), an independent third party, and (ii) Shanghai Zhongsu Entrepreneurship Investment Management Co., Ltd.* (上海中肅創業投資管理有限公司) (the “**Zhongsu Investment**”), which holds approximately 0.50% of the interests therein and is controlled by Mr. Zhu Jun (朱軍), an independent third party. Wenzhou Haisu has four limited partners, including: (i) Shanghai Zhongsu Chuangqingwu Venture Capital Center (Limited Partnership)* (上海中肅創慶午創業投資中心(有限合夥)) (the “**Shanghai Zhongsu**”), which holds approximately 30.09% of the interests therein, (ii) Wenzhou Fund Investment Co., Ltd.* (溫州市基金投資有限公司) (the “**Wenzhou Fund**”), which holds approximately 30% of the interests therein, and (iii) two other limited partners, none of whom holds 30% or more of the interests therein, each of whom is an independent third party. Shanghai Zhongsu and Wenzhou Fund are ultimately controlled by Ms. Zhang Ying (張盈) and Wenzhou Municipal Finance Bureau (溫州市財政局) respectively, each being an independent third party.

Anhui Bohai is a limited partnership established under the laws of the PRC, principally engaged in venture capital, private equity investment and asset management. Anhui Bohai has two general partners, being: (i) Haili Fangzhou as the executive partner, which holds approximately 0.6% of the interests therein, and (ii) Hefei Zhongsu Venture Company (合肥中肅創業投資有限公司) (the “**Hefei Zhongsu**”, formerly known as Hefei Yijun Venture Capital Management Co., Ltd.* (合肥易鈞創業投資管理有限公司)), which holds approximately 0.40% of the interests therein and is controlled by Mr. Zhu Jun. Anhui Bohai has three limited partners, namely: (i) Anhui Bowu Investment Holding Group Co., Ltd.* (安徽亳蕪投資控股集團有限公司) (the “**Bowu Toukong**”) (previously known as Bozhou Wuhu Investment Development Co., Ltd.* (亳州蕪湖投資開發有限責任公司)), which holds approximately 50% of the interests therein, (ii) Bozhou Kang’an Investment Fund Co., Ltd.* (亳州市康安投資基金有限公司) (the “**Kang’an Fund**”), which holds approximately 30% of the interests therein, and (iii) one other limited partner, who does not hold 30% or more of the interests therein and is an independent third party. Bowu Toukong and Kang’an Fund are both state-owned entities under ultimate state control. Specifically, Bowu Toukong functions as the investment and financing platform of the Bozhou-Wuhu Modern Industrial Park* (亳州蕪湖現代產業園區) and is ultimately controlled by the Administrative Committee of the Bozhou-Wuhu Modern Industrial Park* (亳州蕪湖現代產業園區管委會); Kang’an Fund is ultimately controlled by the Bozhou Municipal Finance Bureau (亳州市財政局). Each of the two parties constitutes an independent third party.

As at the Latest Practicable Date, Wenzhou Haisu and Anhui Bohai together held approximately 0.72% of the total issued Shares of the Company.

Langfang Guozi

Langfang Guozi is a limited liability company established under the laws of the PRC with the approval of the People’s Government of Langfang Municipality, serving as a state-owned capital operation platform and performing the functions of a state-owned assets investor, principally engaged in state-owned asset investment and operation, asset management services and enterprise management consulting. It is owned as to 51% by Langfang Investment Holding Group Co., Ltd.* (廊坊市投資控股集團有限公司), which is a wholly-owned subsidiary of Langfang State-owned Assets Supervision and Administration Commission* (廊坊市人民政府國有資產監督管理委員會) (“**Langfang SASAC**”), and as to 49% directly by Langfang SASAC. Accordingly, Langfang Guozi is ultimately controlled by Langfang SASAC, an independent third party. As at the Latest Practicable Date, Langfang Guozi held approximately 0.29% of the total issued Shares of the Company.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Shanghai Aotu

Shanghai Aotu is a limited partnership established under the laws of the PRC, principally engaged in investment management, asset management and investment advisory services. The general partner of Shanghai Aotu is Shanghai Aotu Investment Management Co., Ltd.* (上海鰲圖投資管理有限公司), which holds approximately 1.04% of the interests therein and is ultimately controlled by Mr. Yang Xingtao (楊興濤), an independent third party. Shanghai Aotu has six limited partners, including: (i) Qingdao Jiangzhiyuan Investment Partnership (Limited Partnership)* (青島江之源投資合夥企業(有限合夥)) (the “**Jiangzhiyuan Investment**”), which holds approximately 33.33% of the interests, (ii) Shanghai Angel Guidance Venture Capital Co., Ltd.* (上海天使引導創業投資有限公司) (the “**Angel Guidance**”), which holds approximately 31.25% of the interests, (iii) Ruili Company, one of our Controlling Shareholders, which holds approximately 20.83% of the interests, and (iv) three other limited partners, none of whom holds 30% or more of the interests therein, each of whom is an independent third party. Jiangzhiyuan Investment and Angel Guidance are ultimately controlled by Mr. Yang Xingtao (楊興濤) and Shanghai Technology Entrepreneurship Foundation for Graduates* (上海市大學生科技創業基金會), respectively, each being an independent third party. As at the Latest Practicable Date, Shanghai Aotu held approximately 0.28% of the total issued Shares of the Company.

Compliance with [REDACTED] Investment Guidance

On the basis that (i) the considerations for the [REDACTED] Investments were settled at least 28 clear days before the date of the Company’s submission of the [REDACTED] to the Stock Exchange; (ii) the share repurchase rights granted to the [REDACTED] Investors have been terminated before the date of the Company’s submission of the [REDACTED] to the Stock Exchange; and (iii) all other special rights granted to the [REDACTED] Investors have been terminated or will be terminated before the [REDACTED], the Sole Sponsor confirms that the [REDACTED] Investments are in compliance with Chapter 4.2 of the Guide for New Listing Applicants.

LOCK-UP

Pursuant to the applicable PRC laws, each of the existing Shareholders of the Company (including the [REDACTED] Investors) are subject to a lock-up period of 12 months following the [REDACTED].

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

After the Track Record Period, we conducted the following acquisition that we consider material to us.

Post-Track Record Period Acquisitions

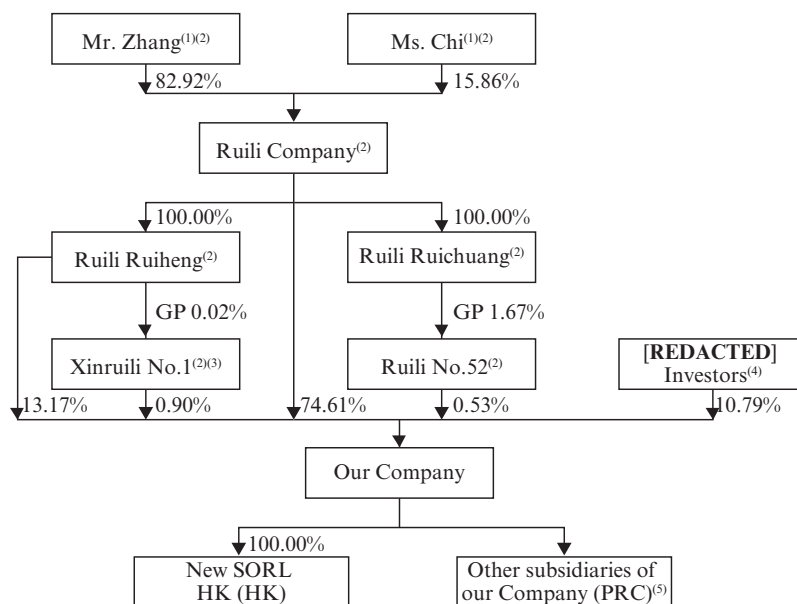
Subsequent to the Track Record Period, we obtained majority equity interests in Shanxi Lugang. We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted] us, a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules in relation to the acquisitions. See “Waivers — Waiver in respect of Post-Track Record Period Acquisitions” for alternative disclosure of these acquisitions.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

CORPORATE STRUCTURE OF THE COMPANY

Corporate Structure as at the Latest Practicable Date

The following chart illustrates the shareholding structure and corporate structure of our Group as at the Latest Practicable Date:



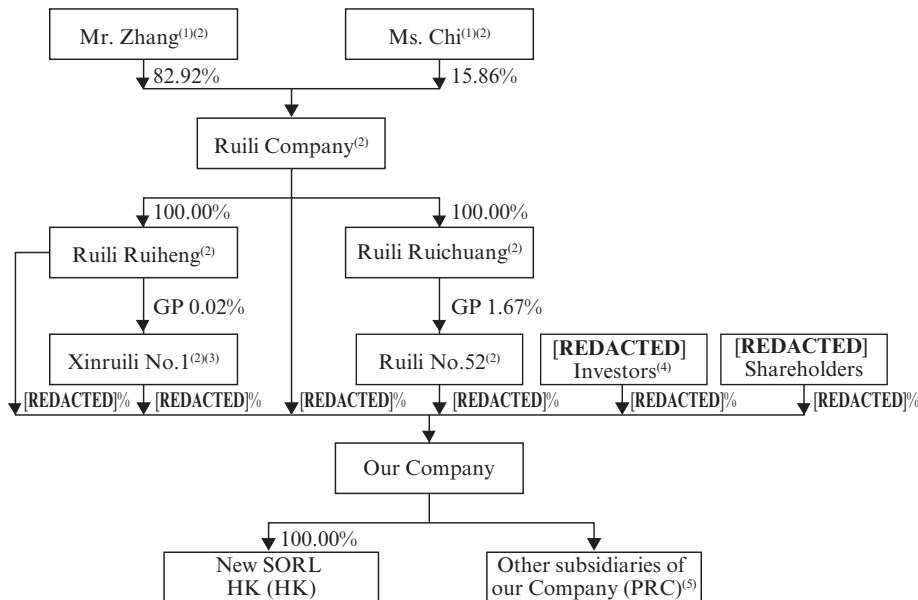
Notes:

- (1) Mr. Zhang and Ms. Chi are spouses. As at the Latest Practicable Date, the remaining interests in Ruili Company were held by two other shareholders, none of which holds more than 1% of the interests therein.
- (2) Our Controlling Shareholders include Mr. Zhang, Ms. Chi, Ruili Company, Ruili Ruiheng, Ruili Ruichuang, Xinruili No.1 and Ruili No.52. As at the Latest Practicable Date, our Controlling Shareholders were collectively entitled to exercise the voting rights of approximately 89.21% of our Company’s total issued Shares. Upon the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), they will collectively exercise voting rights of approximately [REDACTED]% of our total [REDACTED] Shares. For further details of our Controlling Shareholders, see “Relationship with our Controlling Shareholders” and “Substantial Shareholders”.
- (3) Xinruili No.1 is a limited partnership established in the PRC as an Employees Shareholding Platform. For further details of Xinruili No.1, see “— Employees Shareholding Platforms” above.
- (4) For details of the [REDACTED] Investors, please refer to the paragraph headed “Information about our [REDACTED] Investors” above.
- (5) The Company has 14 other subsidiaries established in the PRC, which are controlled by the Company through direct and/or indirect shareholdings. These subsidiaries were established or acquired over time to support the Group’s business expansion, geographical coverage and operational needs. For details, please refer to “II. Notes to the Historical Financial Information — 1. Corporate Information” of the Accountant’s Report as set out in Appendix I.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Corporate Structure Immediately Following the Completion of the [REDACTED]

The following chart illustrates the shareholding structure and corporate structure of our Group immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised and no changes in the following shareholdings since the Latest Practicable Date):



Note: Please refer to the notes (1) to (5) to the paragraph headed “Corporate Structure as at the Latest Practicable Date” above for more information.

BUSINESS

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.

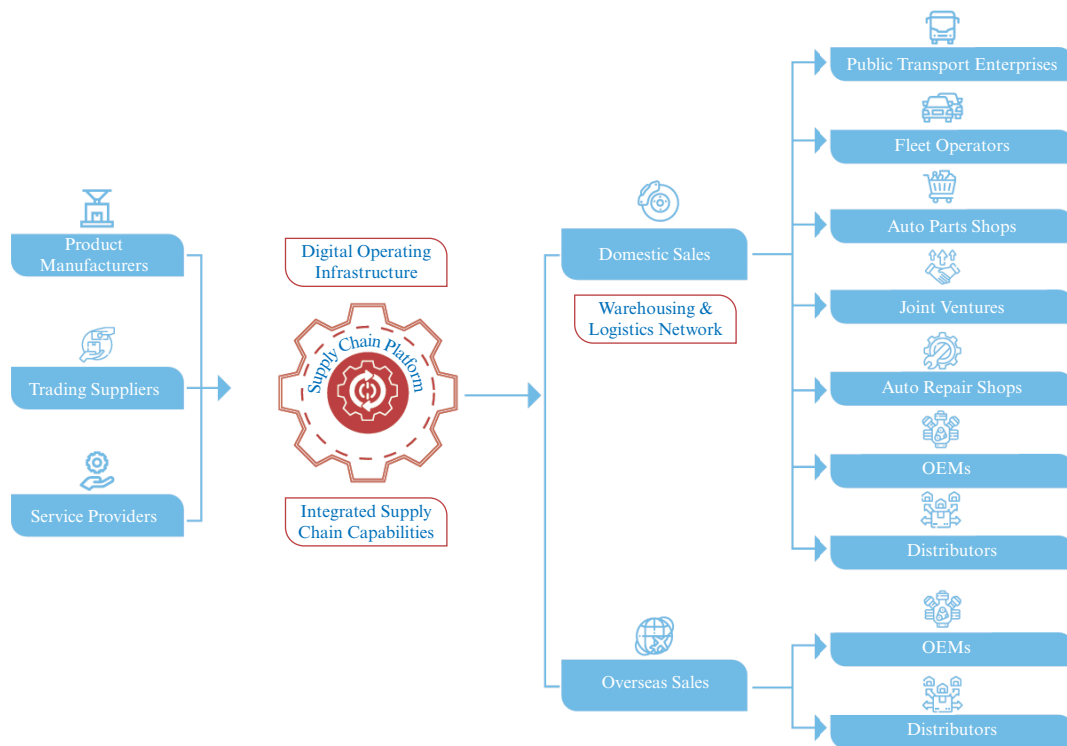
We offer a broad range of products to meet the daily operating, maintenance and repair needs of commercial vehicle customers across different scenarios. Our product portfolio covers chassis parts, universal parts, gearbox parts, electrical parts, engine parts, and body accessories parts. In particular, 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.

BUSINESS

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

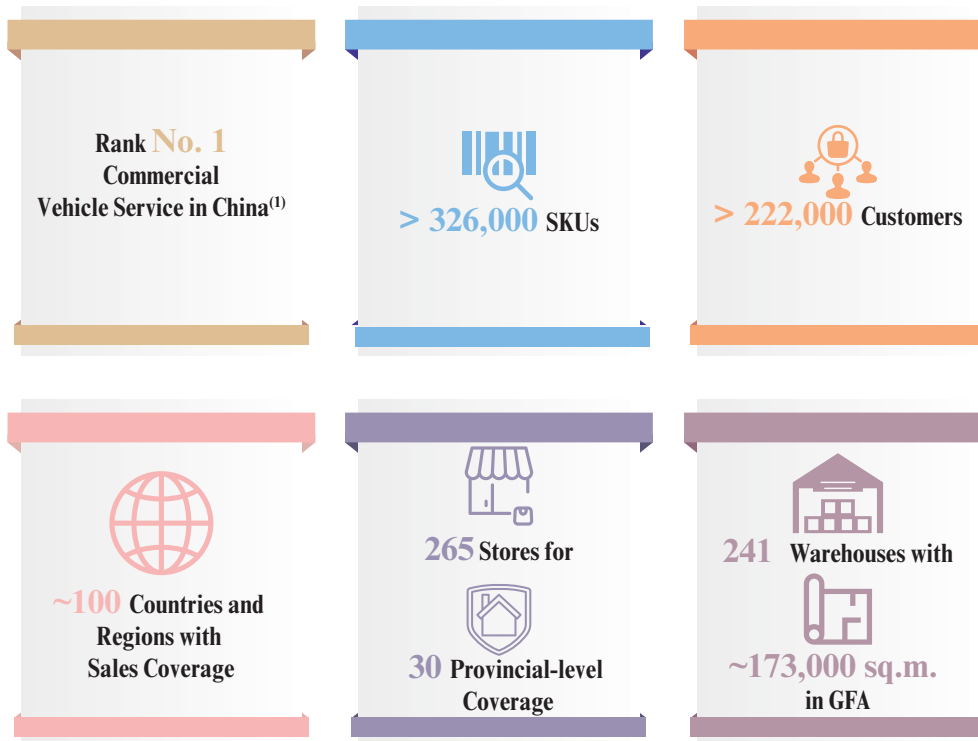


Our operating capabilities are supported by our “One Core, Two Wings (一主兩翼)” digital operating infrastructure. “One Core” refers to our SAP ERP system, which serves as the core platform for finance, procurement, sales and inventory management. We have also developed “Two Wings”, namely our SRM platform 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.

BUSINESS

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

BUSINESS

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.

BUSINESS

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.

BUSINESS

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.

BUSINESS

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.

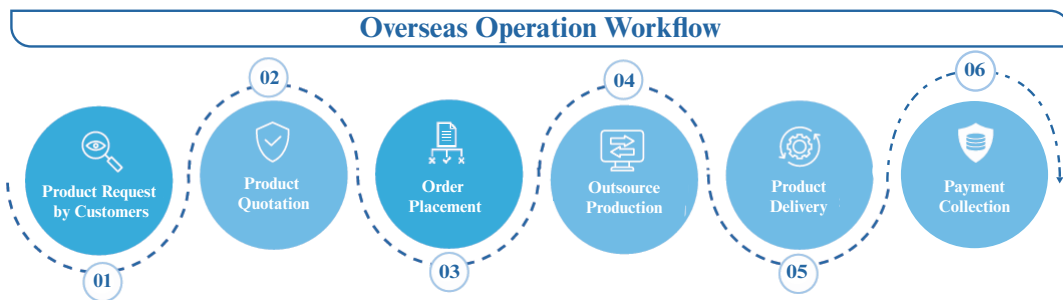
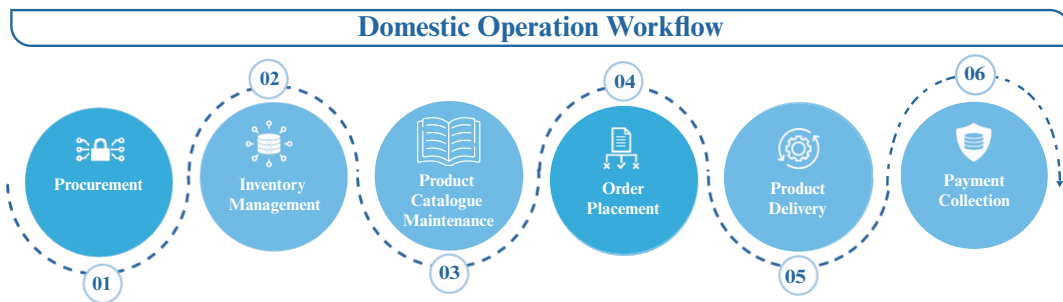
We adopt differentiated expansion strategies for domestic and overseas markets to penetrate respective markets efficiently. Domestically, we principally operate through a network of operating stores under strong centralized control, supported by an extensive

BUSINESS

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. Fifth, 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.

BUSINESS

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.

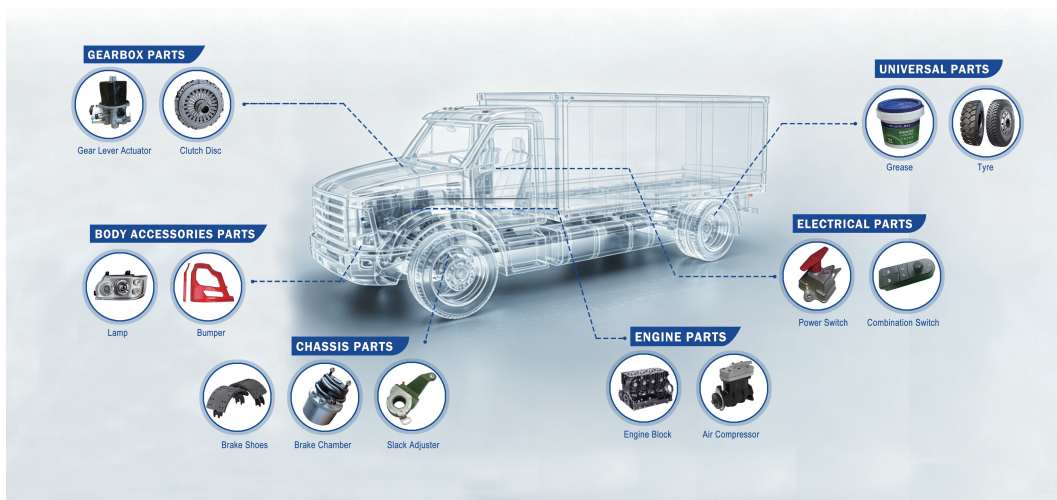
The table below sets forth a summary of certain features of our key products as of the Latest Practicable Date.

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

BUSINESS

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.

BUSINESS

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	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
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	<u>2,676,164</u>	<u>100.0</u>	<u>2,715,330</u>	<u>100.0</u>	<u>2,504,373</u>	<u>100.0</u>

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	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
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	<u>2,676,164</u>	<u>100.0</u>	<u>2,715,330</u>	<u>100.0</u>	<u>2,504,373</u>	<u>100.0</u>

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.

BUSINESS

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	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Direct sales						
Domestic direct 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.

BUSINESS

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.

BUSINESS

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.

BUSINESS

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.

BUSINESS

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.

BUSINESS

	For the year ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
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
<i>Duration</i>	Generally one to two years and renewable upon expiry.
<i>Payment method</i>	Primarily settled via bank transfers and banker’s acceptance.
<i>Credit term</i>	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.
<i>Product returns and warranty</i>	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.

BUSINESS

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

BUSINESS

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.

BUSINESS

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.

BUSINESS

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.

BUSINESS

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
<i>Duration</i>	Typically one to three years
<i>Supply Guarantee</i>	Suppliers shall ensure the stable supply of auto parts as per our requirements.
<i>Payment Terms</i>	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.
<i>Delivery Terms</i>	Suppliers are generally responsible for delivery.
<i>Product Returns and Warranty</i>	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.
<i>Prices</i>	Prices are generally adjusted in line with market conditions, and suppliers provide volume-based procurement discounts.
<i>Termination</i>	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.

BUSINESS

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 <i>RMB'000</i>	Percentage of total purchase amounts <i>%</i>
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

BUSINESS

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

BUSINESS

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.

BUSINESS

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.

BUSINESS

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.

BUSINESS

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.

BUSINESS

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:

<u>Department/Function</u>	<u>Number of Employees</u>	<u>Percentage %</u>
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	<u>1,422</u>	<u>100.0</u>

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.

BUSINESS

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.

BUSINESS

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.

BUSINESS

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.

BUSINESS

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.

<u>Issues of Materiality</u>	<u>Potential Risks</u>
Environmental Compliance Management	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• 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

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.

BUSINESS

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:

	<u>Unit</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
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.

BUSINESS

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:

	<u>Unit</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
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:

	<u>Unit</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
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.

BUSINESS

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	<ul style="list-style-type: none"> • Strengthen daily water usage and drainage management, and standardize the discharge of domestic sewage.
Non-Hazardous Waste	<ul style="list-style-type: none"> • 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.

BUSINESS

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.

BUSINESS

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.

BUSINESS

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

<u>License/approval/permit</u>	<u>Issuing authority</u>	<u>Number</u>	<u>Expiry date</u>
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

BUSINESS

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.

BUSINESS

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 policies. 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.

BUSINESS

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.

BUSINESS

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)

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

As at the Latest Practicable Date, Ruili Company, Ruili Ruiheng, Xinruili No.1 and Ruili No.52 held 74.61%, 13.17%, 0.90% and 0.53% of the Shares of our Company, respectively. Ruili Company was owned as to 82.92% by Mr. Zhang and 15.86% by Ms. Chi, respectively. Mr. Zhang and Ms. Chi are spouses. Ruili Company holds 100% of Ruili Ruiheng and Ruili Ruichuang. Ruili Ruiheng is the general partner of Xinruili No.1, and Ruili Ruichuang is the general partner of Ruili No.52. Accordingly, each of Mr. Zhang, Ms. Chi, Ruili Company, Ruili Ruiheng, Ruili Ruichuang, Xinruili No.1 and Ruili No.52 is our Controlling Shareholder, and they collectively held 89.21% of our Shares.

Immediately upon completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), our Controlling Shareholders will be entitled to exercise approximately [REDACTED]% of the voting rights at our general meeting. Therefore, they will remain as our Controlling Shareholders.

Despite Mr. Zhang Xiaofeng (張曉峰) (the younger brother of Mr. Zhang) and Ms. Cao Ai (曹愛) (the sister-in-law of Ms. Chi) holding 0.92% and 0.30% equity interest of Ruili Company respectively (collectively accounting for the remaining 1.22% equity interest of Ruili Company) as at the Latest Practicable Date, each of whom in turn indirectly holds a small portion of our total issued Shares as at the Latest Practicable Date, Mr. Zhang Xiaofeng and Ms. Cao Ai are not members of our Controlling Shareholders on the following bases:

- (1) Mr. Zhang Xiaofeng and Ms. Cao Ai, in spite of their minority shareholdings in Ruili Company and the family connections that Mr. Zhang Xiaofeng is the younger brother of Mr. Zhang and Ms. Cao Ai is the sister-in-law of Ms. Chi, are passive minority investors who do not take any instructions from Mr. Zhang and Ms. Chi in exercising their shareholder rights. Mr. Zhang and Ms. Chi (being spouses) collectively hold 98.78% equity interest in Ruili Company and exercise absolute control over the voting powers and the composition of the board of Ruili Company, and thus control the management decisions of Ruili Company;
- (2) The articles of association of Ruili Company do not contain any special rights for minority shareholders. Thus, Mr. Zhang and Ms. Chi as the majority shareholders of Ruili Company holding substantially more than two-third of the voting rights can control the decisions of the matters to be considered at its general meetings, through which they can also control all indirect voting interests held by Ruili Company in the Company; and
- (3) No acting in concert, voting proxy, voting agreement or similar arrangements exist between Mr. Zhang Xiaofeng, Ms. Cao Ai and our Controlling Shareholders, and they exercise their minority shareholder rights independently without joint coordination or being subject to any direction from our Controlling Shareholders.

For more information relating to our Controlling Shareholders and their shareholdings in our Company, see “Substantial Shareholders”.

INDEPENDENCE OF OUR BUSINESS

Having considered the following factors, our Directors are satisfied that we can function, operate and carry on our business independently from our Controlling Shareholders upon [REDACTED].

Operational Independence

Save as disclosed in the sections headed “Business — Intellectual Property”, “Business — Licenses, Approvals and Permits” and “Connected Transactions — Fully Exempt Continuing Connected Transactions — Trademark Licensing” in this document, our Group holds all material intellectual properties (or rights to use intellectual properties) and development facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders. Apart from certain services (including office and warehouse premises leasing and catering and accommodation services) as disclosed in section headed “Connected Transactions — One-off Connected Transaction — Property Leasing” and “Connected

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Transactions — Fully Exempt Continuing Connected Transactions — Procurement of Services” in this document, we have a separate management team and separate functional departments for essential administrative functions, including accounting and internal audit departments which operate independently from Ruili Group. We have also adopted a set of internal control procedures to maintain effective and independent operation of our business.

We have independent access to our customers and an independent management team to operate our business. To the best knowledge of our Directors, save in respect of the ongoing services provided to us, and expected to continue to be provided to us, by Ruili Group and its associates as further described in the section headed “Connected Transactions” in this document, all of our suppliers are independent third parties.

Given our close business relationship with Ruili Group, Ruili Company has extended guarantees to support us in setting up joint venture companies alongside our cooperative partners. We have established limited liability companies via joint ventures with transportation operators by entering into joint venture agreements (the “**Joint Venture Agreements**”) across different cities in Chinese Mainland to carry out the distribution and sales of auto spare parts. In the majority of these joint ventures, our Company and the respective partners hold 51% and 49% equity interests in each joint venture company respectively, and operating profits are allocated in line with such shareholding ratios. Under the agreed terms of the Joint Venture Agreements, if any joint venture company records a loss exceeding RMB500,000 within a single fiscal year or accumulated losses surpass RMB1,000,000, our Company is obligated to repurchase the 49% equity interests held by the relevant partner in that joint venture company, with Ruili Company undertaking joint and several liability for such repurchase obligation. If our Company fails to complete the equity repurchase in accordance with the contractual terms, Ruili Company shall remain jointly and severally liable for our repurchase obligations. The Company confirms that all the aforesaid guarantees will be fully released prior to the [REDACTED].

We have also entered into a number of transactions with Ruili Group which form the framework governing our ongoing business cooperation. Transactions conducted with Ruili Group account for a substantial share of our overall business dealings and collaboration arrangements. See the section headed “Connected Transactions” in this document and below for further details of and the reasons for entering into these transactions.

Procurement of products

In our regular daily business focusing on auto parts sales, our Company sources various auto parts (including air compressors, water pumps, brake fittings, EPB/ABS/ECAS components and related hydraulic & electrical accessories from Ruili Subsidiaries (as defined in the section headed “Connected Transactions”), to stock up inventories and subsequently sell such purchased auto parts to downstream vehicle manufacturers, aftermarket dealers and terminal clients via our Company’s established sales platform. Purchasing finished auto parts from Ruili Subsidiaries enables us to secure stable, continuous product supply, shorten raw material & component preparation cycle and lift our overall operational efficiency. Meanwhile, relying on Ruili Group’s mature manufacturing & quality control system, we can secure consistent product quality to stabilize downstream customer cooperation and optimize end-user customer experience. Drawing on our long-term historical cooperation experience with Ruili Subsidiaries for component procurement, we confirm the Ruili Subsidiaries can consistently deliver qualified products matching our ordering requirements in a reliable and steady manner. Accordingly, entering into the Procurement Framework Agreements (as defined in the section headed “Connected Transactions”) and continuing relevant component procurement [REDACTED] is consistent with the commercial interests of our Company and our Shareholders.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Such continuing connected transactions do not impact the business delineation between Ruili Group and our Group or raise any business independence issue as: (a) this arrangement is mainly for the convenience of customers who prefer a single point of contact for supply of auto parts in their operations; and (b) the supply of auto parts is generally only made pursuant to the demand of key accounts of our Group and to supplement the existing or contemplated supply of auto parts to our customers in order to provide better customer service and more comprehensive industrial supply chain services.

The cooperation between Ruili Group and us under the Procurement Framework Agreements is mutually beneficial by providing a single point of contact and one-stop supply of auto parts for key accounts. This way, our Group can effectively support the operation of key accounts and, in turn, enhance customer satisfaction and stickiness. Given Ruili Group enjoys leading position in the PRC’s automotive components industry, it has diverse and quality product offerings with speedy deliveries. Therefore, it is commercially beneficial for our Group to procure certain auto parts from Ruili Group and both parties do not anticipate such continuing connected transactions will terminate in the foreseeable future despite having such termination right pursuant to the Procurement Framework Agreements.

Although the arrangements under the Procurement Framework Agreements are complementary and beneficial to all parties involved, our Group is not bound to procure such auto parts from Ruili Group and is able to procure similar auto parts from independent third party suppliers both within Mainland China and overseas. Our Group will only procure auto parts from Ruili Group if the procurement of auto parts is on normal commercial terms or better.

See the subsection headed “Connected Transactions — Non-exempt Continuing Connected Transactions” in this document for further details and reasons for entering into these transactions.

Based on the above, our Directors believe that our business is operationally independent of our Controlling Shareholders.

Management Independence

Our management and operational decisions are made by the Board in a collective manner. The Board comprises three executive Directors, two non-executive Directors and three independent non-executive Directors. Please see the section headed “Directors and Senior Management” in this document for further details. One of our Directors holds the following positions in Ruili Company and its close associates:

<u>Name</u>	<u>Position in our Company</u>	<u>Positions held in Ruili Company and its close associates</u>
Mr. Zhang	Honorary chairman of the Board and non-executive Director	Chairman of the board and general manager of Ruili Company, and chairman, deputy chairman, director, and manager of the subsidiaries of Ruili Company

Our Directors are of the view that our Board and senior management team are able to manage our business independently from our Controlling Shareholders and their respective close associates for the following reasons:

- (i) While Mr. Zhang is one of our Controlling Shareholders and our honorary chairman, he only serves as our non-executive Director and is not involved in the day-to-day management of our Group. He is primarily responsible for formulating the overall business strategies and participating in making major decisions of our Company as a member of our Board;
- (ii) None of our Directors and members of senior management holds any role as a director or member of senior management in any close associate of Mr. Zhang.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our executive Directors and non-executive Directors (save for Mr. Zhang) and our independent non-executive Directors and members of our senior management do not hold any role as a director or member of senior management in Ruili Company and its close associates. Decisions of the Board require the approval of a majority vote from the Board. Therefore, the Board can manage the operation of our Company independently from our Controlling Shareholders and their respective close associates;

- (iii) According to the PRC Company Law and the Articles of Association, for any matters of conflict or potential conflict of interest which involve a transaction between our Company and another company or entity to which a Director holds office, such Director shall abstain from voting and shall be excluded from the quorum. In addition, for Board meetings involving connected Directors, any Director who has a connected relationship with the matter, including directors holding positions in Ruili Company and its associates, shall promptly submit a written report to the Board of Directors and shall not vote on the resolution, nor may they act as proxy for any other Director in voting. The Board meeting may be held if more than half of the unconnected Directors are present, and any resolution shall be adopted only with the affirmative vote of more than half of the unconnected Directors. Independent non-executive Directors, as unconnected Directors, shall participate in the voting on the matters involving conflicts of interest to ensure the interests of our Company and the Shareholders as a whole;
- (iv) We have appointed three independent non-executive Directors, comprising over one-third of the total members of our Board, to provide a balance of the number of potentially interested and independent Directors with a view to promoting the interests of our Company and the Shareholders as a whole. The independent non-executive Directors will be entitled to engage professional advisers at our cost for advice on matters relating to any potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective associates;
- (v) Each of our Directors is aware of his/her fiduciary duties and responsibilities under applicable laws and the Listing Rules as a director, which require that he/she acts in the best interests of our Company and our Shareholders as a whole;
- (vi) During the Track Record Period and before the [REDACTED], Mr. Zhang has nominated all or a majority of the Directors pursuant to our Articles of Association as in force before (but not after) the [REDACTED]. Nevertheless, after the [REDACTED], Mr. Zhang will not have any special nomination right under the Articles, and all our Directors will be strictly subject to the same fiduciary duties under applicable laws and the Listing Rules to act independently in the interest of our Company and our Shareholders as a whole;
- (vii) Where a Shareholders' meeting is held to consider a proposed transaction in which any of our Controlling Shareholders or their respective close associates has a material interest, our Controlling Shareholder(s) shall abstain from voting on the resolutions and shall not be counted towards the quorum for the voting; and
- (viii) Our Company has appointed VBG Capital Limited as our Compliance Adviser, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and Listing Rules including various requirements relating to Directors' duties and corporate governance.

Financial Independence

We have our own financial management system and we make financial decisions according to our own business needs. Our Directors confirm that during the Track Record Period and as of the Latest Practicable Date, none of our Controlling Shareholders or their close associates had provided any guarantees to our Group. Our Directors are satisfied that our Group will be financially independent of our Controlling Shareholders and any of their close associates upon [REDACTED].

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

During the Track Record Period and as of the Latest Practicable Date, the Group had certain outstanding balances due to or from our Controlling Shareholders and their close associates as a result of the connected transactions set forth in note 35 to the accountants' report included in Appendix I to this document. Our Directors confirm that, there will be no balances due to or from our Controlling Shareholders or their close associates which had not been fully settled nor were there any financial assistance, security or guarantee provided by our Controlling Shareholders or their close associates in favor of our Group or vice versa upon [REDACTED]. Based on the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders and their close associates after [REDACTED].

NO MATERIAL COMPETITION WITH OUR CONTROLLING SHAREHOLDERS

Delineation of Business between Ruili Group and Us

Our Group is a commercial vehicle service provider and supply chain platform in China, which provides a broad range of products and related services for the commercial vehicle service market, with product portfolio covering chassis parts, universal parts, gearbox parts, electrical parts, engine parts, and body accessories parts. On the other hand, Ruili Group primarily engages in two core business segments (i) the research and development, production and sales of core components related to vehicle active safety systems, covering the research and development, production, sales and technical services of vehicle active safety systems and precision aluminium alloy die castings; and (ii) the production of auto parts and air compression equipment.

Ruili Group has confirmed that, as of the Latest Practicable Date, it did not have any interest in any business, other than our business, which competes or is likely to compete, either directly or indirectly, with our business and would require disclosure under Rule 8.10 of the Listing Rules.

Our Directors are of the view that there is clear delineation between the business of Ruili Group and our Group, and that and Ruili Group does not compete and are unlikely to compete, either directly or indirectly, with our businesses on the following basis:

Different business models and service positioning. Although both Ruili Group and our Group are involved in auto parts-related businesses, the core business models are fundamentally different and non-overlapping. Ruili Group is a professional manufacturing enterprise focusing on the production link, which mainly engages in the research and development and production of vehicle active safety system core components, precision aluminium alloy die castings, auto parts and air compression equipment, and provides supporting technical services, with no commercial vehicle parts sales business for external market operation. In contrast, our Group is a commercial vehicle service and supply chain platform that does not engage in any parts production business. We focus exclusively on the sales and integrated supporting services of diversified commercial vehicle parts, covering chassis parts, engine parts, electrical parts and other full-category commercial vehicle accessories, forming a complete differentiation in business links.

Customer base. Ruili Group's customers are primarily upstream and midstream industrial clients, including complete vehicle manufacturers, industrial equipment factories and downstream component assembly enterprises, adopting factory-to-factory bulk supply models for production supporting needs. Our Group's customers are institutional participants in the commercial vehicle after-market, including professional vehicle maintenance centres, fleet operation companies and commercial vehicle service institutions, adopting after-market retail and bulk supporting service models for operational maintenance needs.

Based on the above, our Directors are of the view that there is no material business competition between Ruili Group and our Group.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Corporate Governance Measures

Our Directors believe that there are adequate corporate governance measures in place to manage the potential conflict of interests between our Controlling Shareholders and our Group and to safeguard the interests of our Shareholders taken as a whole for the following reasons:

- (i) in the event that the independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and the Controlling Shareholders and/or the Directors on the other hand, the Controlling Shareholders and/or the Directors shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either through our annual report or by way of announcements;
- (ii) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company's expenses;
- (iii) any transaction that is proposed between our Group and our Controlling Shareholders, and/or our Directors and/or their respective associates will be required to comply with the requirements of the Articles of Association and the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements; and
- (iv) we have appointed VBG Capital Limited as our compliance adviser, who will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Company and our Controlling Shareholders, and to protect our minority Shareholders' interests after the [REDACTED].

CONNECTED TRANSACTIONS

OVERVIEW

Upon [REDACTED], transactions between members of our Group and our connected person(s) will constitute connected transactions of our Company under Chapter 14A of the Listing Rules.

CONNECTED PERSON

We have entered into certain transactions with the following connected persons, which will constitute our continuing connected transactions upon [REDACTED]:

Connected Person	Relationship
Ruili Company	Ruili Company is our Controlling Shareholder and, as such, constitutes a connected person of the Company under Chapter 14A of the Listing Rules.
Shanghai International Automobile City Rui’an Industrial Co., Ltd.* (上海國際汽車城瑞安實業有限公司) (the “ Shanghai Industrial ”)	Shanghai Industrial is a company incorporated in the PRC, primarily engaged in real estate development and property management. As at the Latest Practicable Date, the equity interest of Shanghai Industrial was held as to 86.36% by Ruili Company, 1.06% by Mr. Zhang Xiaofeng (張曉峰), the brother of Mr. Zhang, and the remaining 12.58% by nine other Individuals, who are independent third parties.
Hangzhou Ruili Real Estate Development Co., Ltd.* (杭州瑞立置業發展有限公司) (the “ Hangzhou Real Estate ”)	Hangzhou Real Estate is a company incorporated in the PRC, primarily engaged in real estate development and comprehensive services. As at the Latest Practicable Date, Hangzhou Real Estate is a wholly-owned subsidiary of Hangzhou Ruili Real Estate Group Co., Ltd.* (杭州瑞立房地產集團有限公司), which is in turn held as to 80% by Ruili Company and 20% by Ms. Chi, the spouse of Mr. Zhang and one of the Controlling Shareholders.
Rui’an Ruili Business Hotel Co., Ltd.* (瑞安市瑞立商務酒店有限公司) (the “ Rui’an Business Hotel ”)	Rui’an Business Hotel is a company incorporated in the PRC, primarily engaged in accommodation services and catering services. As at the Latest Practicable Date, Rui’an Business Hotel is a wholly-owned subsidiary of Ruili Company.
Shanghai Ruilijiaye Real Estate Development Co., Ltd.* (上海瑞立佳業房地產開發有限公司) (the “ Shanghai Real Estate ”)	Shanghai Real Estate is a company incorporated in the PRC, primarily engaged in real estate development and property management. As at the Latest Practicable Date, Shanghai Real Estate is a wholly-owned subsidiary of Ruili Company.
Shanghai Ruiting Property Management Co., Ltd.* (上海瑞亭物業管理有限公司) (the “ Shanghai Property Management ”)	Shanghai Property Management is a company incorporated in the PRC, primarily engaged in enterprise management and property management. As at the Latest Practicable Date, Shanghai Property Management is a wholly-owned subsidiary of Shanghai Industrial. Shanghai Industrial is a subsidiary of Ruili Company, and accordingly Shanghai Property Management is an indirect subsidiary of Ruili Company.

CONNECTED TRANSACTIONS

Connected Person	Relationship
Shanghai International Automobile City Ruili Hotel Management Co., Ltd.* (上海國際汽車城瑞立大酒店管理有限公司) (the “ Shanghai Hotel Management ”)	Shanghai Hotel Management is a company incorporated in the PRC, primarily engaged in hotel management and accommodation services. As at the Latest Practicable Date, Shanghai Hotel Management is a wholly-owned subsidiary of Ruili Company.
Ruian Ruili Bund Life Plaza Management Co., Ltd.* (瑞安市瑞立外灘生活廣場管理有限公司) (the “ Ruili Bund ”)	Ruili Bund is a company incorporated in the PRC, primarily engaged in business services. As at the Latest Practicable Date, Ruili Bund is a wholly-owned subsidiary of Ruili Company.
Ruili Meilian Brake Technology (Langfang) Co., Ltd.* (瑞立美聯制動技術(廊坊)有限公司) (the “ Langfang Meilian ”)	Shanghai Industrial, Hangzhou Real Estate, Rui’an Business Hotel, Shanghai Real Estate, Shanghai Property Management, Shanghai Hotel Management and Ruili Bund are collectively referred as the “ Ruili Service Providers ”. Each of Ruili Service Providers is a subsidiary of Ruili Company, our Controlling Shareholder and accordingly constitutes a connected person of our Company under Chapter 14A of the Listing Rules.
Ruili Meilian Brake Technology (Langfang) Co., Ltd.* (瑞立美聯制動技術(廊坊)有限公司) (the “ Langfang Meilian ”)	Langfang Meilian is a company incorporated in the PRC, primarily engaged in automobile braking technology R&D. As at the Latest Practicable Date, the equity interest of Langfang Meilian was held as to 66% indirectly by Ruili Company through its wholly-owned subsidiary Zhejiang Ruili Air Compression Equipment Co., Ltd.* (浙江瑞立空壓裝備有限公司), and 34% by Langfang State-owned Assets Operation Co., Ltd.* (廊坊市國有資產經營有限公司), which is ultimately controlled by the State-owned Assets Supervision and Administration Commission of Langfang Municipal People’s Government (廊坊市人民政府國有資產監督管理委員會), an independent third party.
Shanghai Aijia Electronic Technology Co., Ltd.* (上海埃嘉電子技術有限公司) (the “ Shanghai Aijia ”)	Shanghai Aijia is a company incorporated in the PRC, primarily engaged in electronic products and communication equipment manufacturing. As at the Latest Practicable Date, Ruili Company directly held 25% of the equity interest in Shanghai Aijia and indirectly held a further 49.5% equity interest through Shanghai Dachao Electronic Technology Co., Ltd.* (上海大潮電子技術有限公司) (“ Shanghai Dachao ”), a company in which Ruili Company owns a 66% equity interest, representing an aggregate interest of 74.5% in Shanghai Aijia. The remaining 34% equity interest in Shanghai Dachao is held by Zhonghang (Shanghai) Aviation Radio Electronic Technology Co., Ltd.* (中航(上海)航空無線電電子技術有限公司), which is ultimately controlled by the SASAC, an independent third party.

CONNECTED TRANSACTIONS

Connected Person	Relationship
Hangzhou Hangcheng Friction Materials Co., Ltd.* (杭州杭城摩擦材料有限公司) (the “ Hangzhou Hangcheng ”)	Hangzhou Hangcheng is a company incorporated in the PRC, primarily engaged in the manufacturing of automotive parts and components. As at the Latest Practicable Date, Hangzhou Hangcheng is a wholly-owned subsidiary of Ruili Company.
Guangzhou Ruili Kormee Automotive Electronic Co., Ltd.* (廣州瑞立科密汽車電子股份有限公司) (the “ Ruili Kormee ”)	Ruili Kormee is a company incorporated in the PRC and listed on the Shenzhen Stock Exchange (stock code: 1285), primarily engaged in the R&D, production and sale of core components related to active safety systems for motor vehicles. As at the Latest Practicable Date, the equity interest of Ruili Kormee was held as to 48.12% by Ruili Company, 5.55% by Ms. Zhang Jiarui, the daughter of Mr. Zhang and Ms. Chi and 46.33% by other public shareholders.
Changchun Ruili Kormee Automotive Electronics Co., Ltd.* (長春瑞立科密汽車電子有限公司) (the “ Changchun Kormee ”)	Changchun Kormee is a company incorporated in the PRC, primarily engaged in automobile parts and accessories manufacturing. As at the Latest Practicable Date, Changchun Kormee is a wholly-owned subsidiary of Ruili Kormee.
Wenzhou Ruili Kormee Automotive Electronics Co., Ltd.* (溫州瑞立科密汽車電子有限公司) (the “ Wenzhou Kormee ”)	Wenzhou Kormee is a company incorporated in the PRC, primarily engaged in the manufacturing and sale of automotive parts and components. As at the Latest Practicable Date, Wenzhou Kormee is a wholly-owned subsidiary of Ruili Kormee.
Zhejiang Ruili Air Compression Equipment Co., Ltd.* (浙江瑞立空壓裝備有限公司) (the “ Zhejiang Air Equipment ”)	Zhejiang Air Equipment is a company incorporated in the PRC, primarily engaged in automobile parts and accessories manufacturing. As at the Latest Practicable Date, Zhejiang Air Equipment is a wholly-owned subsidiary of Ruili Company.
Wuhan Ruili Cortex Automotive Electronics Co., Ltd.* (武漢瑞立科德斯汽車電子有限責任公司) (the “ Wuhan Cortex ”)	Wuhan Cortex is a company incorporated in the PRC, primarily engaged in automotive electronic products and technologies. As at the Latest Practicable Date, the equity interest of Wuhan Cortex was held as to 84% by Ruili Kormee and 16% by Mr. Cheng Yi (程毅), an independent third party.
Wenzhou Ruiyu Intelligent Technology Co., Ltd.* (溫州瑞馭智能科技有限公司) (the “ Wenzhou Ruiyu ”)	Wenzhou Ruiyu is a company incorporated in the PRC, primarily engaged in automotive manufacturing. As at the Latest Practicable Date, Wenzhou Ruiyu is a wholly-owned subsidiary of Ruili Company.

CONNECTED TRANSACTIONS

Connected Person	Relationship
<p>Ruili Group Ruian Auto Parts Co., Ltd.* (瑞立集團瑞安汽車零部件有限公司) (the “Ruian Auto Parts”).</p>	<p>Ruian Auto Parts is a company incorporated in the PRC, primarily engaged in the R&D and manufacturing of automotive parts. As at the Latest Practicable Date, the equity interest of Ruian Auto Parts was held as to 90% by Fairford Holdings Limited, and 10% by Ruili Company. Fairford Holdings Limited is ultimately owned as to 47.07% by Mr. Zhang, 5.88% by Ms. Chi, 5.88% by Mr. Zhang Xiaofeng (張曉峰), the brother of Mr. Zhang, and 41.17% by Ruili Company. The board of directors of Ruian Auto Parts consists of Mr. Zhang as the chairman, Mr. Zhang Xiaofeng as the deputy chairman, and Ms. Chi as a director. Mr. Zhang, alongside Ms. Chi and Mr. Zhang Xiaofeng, holds control over the board of directors of Ruian Auto Parts.</p> <p>Langfang Meilian, Shanghai Aijia, Changchun Kormee, Hangzhou Hangcheng, Ruili Kormee, Wenzhou Kormee, Zhejiang Air Equipment, Wuhan Cortex, Wenzhou Ruiyu and Ruian Auto Parts are collectively referred as the “Ruili Subsidiaries”.</p> <p>Ruili Company is our Controlling Shareholder, and the Ruili Subsidiaries controlled by Ruili Company are also connected persons of the Company pursuant to Chapter 14A of the Listing Rules.</p>

ONE-OFF CONNECTED TRANSACTION

Property Leasing

During the Track Record Period, our Group leased certain premises from Ruili Company, Ruian Auto Parts, Hangzhou Hangcheng, Shanghai Industrial and Shanghai Real Estate, each being a connected person of our Company under Chapter 14A of the Listing Rules. The relevant leased premises are used by our Group as office premises, warehouse premises, office service premises and staff dormitories, as applicable. Details of the relevant property lease agreements in effect as at the Latest Practicable Date (collectively, the “**Property Lease Agreements**”) are set out below:

Connected person (Lessor)	Lessee	Leased premises/subject matter	Gross Floor Area (GFA)	Term	Rent
Ruili Company . . .	Our Company	Office premises at Bashi Mu (八十畝)	1,674 sq.m.	January 1, 2024 to December 31, 2026	Annual rent of RMB401,760 (RMB1,205,280 in aggregate for the three-year term)
Ruian Auto Parts . .	Our Company	Warehouse premises at Bashi Mu (八十畝)	13,846 sq.m.	January 1, 2024 to December 31, 2026	Annual rent of RMB2,492,280 (RMB7,476,840 in aggregate for the three-year term)

CONNECTED TRANSACTIONS

Connected person (Lessor)	Lessee	Leased premises/subject matter	Gross Floor Area (GFA)	Term	Rent
Hangzhou Hangcheng	Hangzhou Changyun Xinrui Auto Parts Co., Ltd.* (杭州長運新 瑞立汽配有限公司)	Laboratory first floor/ warehouse premises	416.67 sq.m.	January 1, 2026 to December 31, 2026	Rent of RMB150,000 for the term
Shanghai Industrial	Our Company	CAS Auto Plaza, units 1223, 1225, 1216, 1218 and 1220 on the first floor	669.48 sq.m.	July 1, 2025 to June 30, 2026	Rent of RMB293,232 for the term
	Our Company	CAS Auto Plaza, unit 1236 on the first floor	421.2 sq.m.	February 1, 2026 to August 31, 2026	Rent of RMB107,617 for the term
	Our Company	CAS Auto Plaza, units 1304, 1221 and 1219 on the first floor	590.87 sq.m.	September 1, 2025 to August 31, 2026	Rent of RMB258,801 for the term
	Shanghai Xinrui Automotive Technology Co., Ltd* (上海新瑞立汽車科技有 限公司)	CAS Auto Plaza, units 2001 and 3001	18,667.26 sq.m.	January 1, 2026 to December 31, 2030	Rent of RMB12 for the period of January 1, 2026 to December 31, 2026, being the renovation promotion period and rent of RMB6,813,550 for each one-year term for the years ending on December 31, 2027, 2028, 2029 and 2030, respectively (RMB27,254,212 in aggregate)
Shanghai Real Estate	Our Company	Staff dormitory premises at third floor of No. 155 Anxie South Road	228 sq.m.	January 1, 2026 to December 31, 2027	Monthly rent of RMB10,200 (equivalent to RMB122,400 per year; RMB244,800 in aggregate for the 24-month term from January 1, 2026 to December 31, 2027)

Any renewal of the Property Lease Agreements shall be on such terms as the parties may mutually agree and shall be subject to strict compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

The rent for the Property Lease Agreements was determined by the parties on an arm’s length basis following negotiations with reference to the prevailing market rental rates as well as the location, quality and size of the relevant properties. Such agreements were entered into in the ordinary and usual course of our business on normal commercial terms, or better.

The payment for leases by our Company with respect to the Property Lease Agreements according to HKFRS 16 for each of the years ended December 31, 2023, 2024 and 2025 amounted to approximately RMB5.0 million, RMB4.2 million and RMB4.1 million, respectively.

CONNECTED TRANSACTIONS

In accordance with HKFRS 16 “Leases”, our Group recognized a right-of-use asset on its balance sheet in connection with the lease of the properties from Ruili Company, Ruian Auto Parts, Hangzhou Hangcheng, Shanghai Industrial and Shanghai Real Estate. Therefore, the lease of the properties from Ruili Company, Ruian Auto Parts, Hangzhou Hangcheng, Shanghai Industrial and Shanghai Real Estate under the Property Lease Agreements were regarded as acquisitions of a capital asset and an one-off connected transaction of the Company for the purposes of the Listing Rules. The Property Lease Agreements have been duly executed and in force, and the Group has recognized a right-of-use asset under the Property Lease Agreements on its balance sheet. Accordingly, the reporting, announcement, annual review and independent shareholders’ approval requirements in Chapter 14A of the Listing Rules will not be applicable.






FULLY EXEMPT CONTINUING CONNECTED TRANSACTION

Trademark Licensing

Our Company entered into an trademark licensing framework agreement with Ruili Company (the “**Trademark Licensing Framework Agreement**”) on June 15, 2026, pursuant to which Ruili Group has granted to the Group non-exclusive and non-transferable licenses for the use of trademarks owned by Ruili Group that are either registered or for which registration applications have been filed in the PRC (the “**Licensed Trademark Rights**”) on a royalty-free basis. The Company will use the Licensed Trademark Rights within the scope specified in the Trademark Licensing Framework Agreement. For details of the Licensed Trademark Rights, please see the section headed “Statutory and General Information — B. Further Information about the Business — 2. Intellectual Property” in Appendix IV to this document.


The Trademark Licensing Framework Agreement shall remain in effect indefinitely on the condition that Ruili Company remain the Controlling Shareholder i.e. Ruili Company may terminate the Trademark Licensing Framework Agreement if Ruili Company are no longer the Controlling Shareholder.




As required by Rule 14A.52 of the Listing Rules, the term for the agreement for the continuing connected transactions must not exceed three years, except in cases where the nature of the transaction requires the agreement to be of a duration longer than three years. The Directors (including the independent non-executive Directors) are of the view that the Trademark Licensing Framework Agreement was entered into on normal commercial terms or better and the Licensed Trademark Rights are necessary for our business operations and a longer duration of the agreement will avoid any unnecessary business interruption and help ensure the long-term development and continuity of our business.

The Directors consider that the use of Ruili Group’s Licensed Trademark Rights will enable our Company to leverage the reputation of Ruili Group, thereby promoting our services. Moreover, our Company has been using some of the Licensed Trademark Rights of Ruili Group for several years and the Directors believe it is in the best interests of the Company and our Shareholders to continue to use the Licensed Trademark Rights after [REDACTED]. Further, Ruili Group is not able to transfer to our Group certain trademarks without transferring trademarks that belong to and are being used by Ruili Group due to their similarity (e.g. “新瑞立” and “瑞立”). This is because the Chinese trademark “新瑞立” incorporates the trademark “瑞立”, which is owned and registered by Ruili Group. Likewise, the trademark “” contains the trademark “”, and all similar trademarks incorporating “瑞立” and “” are also owned by Ruili Group. Accordingly, the transfer of the “” trademark and the “新瑞立” trademark to our Group would necessitate the concurrent transfer of the “瑞立” trademark as well as all trademarks bearing the “” image to our Group, which would be commercially impracticable for Ruili Group to implement.

Further, as advised by our PRC Legal Adviser, pursuant to Trademark Law of the People’s Republic of China (《中華人民共和國商標法》) and Implementing Regulations of the Trademark Law of the People’s Republic of China (《中華人民共和國商標法實施條例》), (i) where a trademark registrant intends to transfer a registered trademark, it shall transfer all the similar registered trademarks used for the same or similar commodities; and (ii) if the trademark registrant fails to transfer all of its similar registered trademarks used for the same or similar commodities, the Trademark Office of China National Intellectual Property Administration (the “**Trademark Office**”), which is in charge of trademark registrations in

CONNECTED TRANSACTIONS

China, is entitled to instruct the transferor to rectify it within a prescribed time limit. Failure to do so, the application for transfer of the registered trademark will be deemed to be withdrawn, and the Trademark Office shall inform the transferor in writing. Therefore, due to the similarity of the registered trademarks used by our Group and Ruili Group (e.g. “新瑞立” and “瑞立”), the application for transfer of the registered trademark “新瑞立” and “瑞立” will not be approved by the Trademark Office if Ruili Group does not transfer similar trademarks used for the same or similar commodities to our Group.

Furthermore, our Group has historically been using the trademark “新瑞立” and “瑞立” since our inception in January 2016 as a business unit within Ruili Group, the Company will continue to be part of the Ruili Group, sharing the same “瑞立” and  root. It will be beneficial for the Company to continue to leverage on the synergy built with Ruili Group, and to capitalize on the goodwill it has gained on using the “瑞立” and  brands since our inception. Consequently, the Trademark Licensing Framework Agreement remains the most appropriate and feasible means for ensuring that both the Ruili Group and our Group can continue to enjoy the use of the Licensed Trademark Rights.

There were no historical amounts for the Trademark Licensing Framework Agreement for each of the three years ended December 31, 2025.

As the license to use the Licensed Trademark Rights is granted to us on a royalty-free basis, the transactions under the Trademark Licensing Framework Agreement constitute de minimis transactions pursuant to Rule 14A.76(1)(a) of the Listing Rules and are fully exempt from the annual reporting, announcement, independent Shareholders’ approval and annual review requirements under Chapter 14A of the Listing Rules.

Procurement of Services

On [●], 2026, we entered into the procurement of services agreement with each of the Ruili Service Providers (the “**Procurement of Services Agreements**”), pursuant to which, our Group agreed to procure services from Ruili Service Providers, which mainly include, among others, catering services, movie tickets and on-site accommodation services for our operation requirements from time to time. The Procurement of Services Agreements will be valid for a term commencing from the date of [REDACTED] and expiring on December 31, 2028 (both days inclusive), subject to renewal upon the mutual consent of both parties and compliance with the requirements of the Listing Rules and applicable laws and regulations.

The pricing of such services is to be determined by our Company and Ruili Service Providers on normal commercial terms, negotiated on an arm’s length basis, subject to applicable laws and regulations and with reference to, among others, the following factors: (i) the prevailing market prices for comparable catering, movie tickets and accommodation services; (ii) quotations provided by Ruili Service Providers to independent third-party customers for comparable transactions; and (iii) the cost and quality of the services being transacted.

To secure stable and long-term catering, movie tickets and accommodation services for our on-site staff, operation teams and visiting business personnel at our premises in Wenzhou, Hangzhou and Shanghai, and to ensure the smooth daily operation and proper on-site management of our business, the Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the Procurement of Services Agreement are in the ordinary and usual course of business of our Group, and that the terms of the Procurement of Services Agreement (including the pricing mechanism and the proposed annual cap) are on normal commercial terms, fair and reasonable, and in the interests of the Company and its shareholders as a whole.

CONNECTED TRANSACTIONS

For each of the years ended December 31, 2023, 2024 and 2025, the total transaction amount between our Group and Ruili Service Providers was approximately RMB0.6 million, RMB1.9 million and RMB1.5 million, respectively. As of May 31, 2026, the aggregate procurement value of fulfilled orders placed with Ruili Service Providers reached RMB0.7 million.

Our Directors estimated that the annual transaction amounts payable by our Company to Ruili Service Providers under the Procurement of Services Agreement for the year ending December 31, 2026, 2027 and 2028 will not exceed RMB2.5 million, respectively.

In determining such annual caps, our Directors have considered the following factors: (i) the historical transaction values and spending trends of transactions entered into between our Group and Ruili Service Providers throughout the Track Record Period; (ii) prevailing market conditions and prevailing industry practice in respect of the provision of catering, movie tickets and accommodation services; and (iii) our Group’s forecasted requirement for procurement of catering, movie tickets and accommodation services from Ruili Service Providers for the year 2026, 2027 and 2028.

As the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will be less than 5% and the total consideration of the transactions will be less than HK\$3,000,000, the Procurement of Services Agreements will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1)(c) of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Procurement of products and equipment

We have entered into the following transactions which, as our Directors currently expect, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will be more than 5% on an annual basis. Under Rule 14A.03 of the Listing Rules, these transactions will be subject to the reporting, annual review, announcement, circular and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Principal terms

On [●], 2026, we entered into the procurement framework agreement with each of the Ruili Subsidiaries (the “**Procurement Framework Agreements**”), pursuant to which our Group will, from time to time, procure from Ruili Subsidiaries certain products and equipment, including but not limited to air compressors (electric included), water pumps, pressure sensors, air flow meters, 7-core spiral power cables, brake pads, brake shoes, ABS, ESC, EPB, combination valves, ECAS solenoid valves, electronic accelerator pedals, brake valves, clutch boosters, air dryer cartridges, steering pumps, spring brake chambers and urea injection machine (the “**Procurement**”). The Procurement Framework Agreements have an initial term commencing on the [REDACTED] and ending on December 31, 2028, and may be renewed as the parties may mutually agree, subject to the compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

Pricing basis

In determining the prices for the connected transactions under the Procurement Framework Agreements with Ruili Subsidiaries, our Directors adopt a multi-dimensional and verifiable pricing rationale based on objective commercial benchmarks, rather than subjective judgment. The core pricing bases include: (i) the prevailing market purchase prices for identical or functionally equivalent auto spare parts with consistent quality standards, technical specifications and manufacturing origins are surveyed as per the company’s management system when our sales team apply for new product offering; (ii) valid and competitive transaction quotations obtained from independent third party spare parts and equipment suppliers for comparable automotive products and equipment; (iii) our Group’s historical arm’s length procurement prices with independent third party vendors for similar auto spare parts and equipment; and (iv) prevailing market supply and demand conditions, as well as the industry price fluctuation trends.

CONNECTED TRANSACTIONS

Our Group has established clear, standardized and enforceable operational mechanisms to govern the practical application of the pricing policies for these connected transactions. The proposed transaction purchase price, together with all supporting quantitative and qualitative market information, is submitted to senior management for internal review and approval. Under our internal policy, no procurement terms more favorable to Ruili Subsidiaries than those offered by independent third parties shall be approved or executed. All pricing records, market comparison documents and internal approval files are systematically archived and retained to ensure consistent, traceable and standardized application of the pricing policies on a transaction-by-transaction basis in the ordinary course of business. To further secure compliance and transaction fairness, our Group adopts a layered monitoring mechanism for continuing connected procurements with Ruili Subsidiaries. The finance team conducts regular reviews to verify pricing compliance and annual cap compliance. Our independent non-executive Directors will also perform regular assessments to confirm all transactions are undertaken on normal commercial terms and in the interests of our Group and our Shareholders as a whole. Any abnormal price movements or non-compliance issues will prompt timely internal risk reviews and supplementary market verification.

Reasons for the transaction

In our regular daily business focusing on auto parts sales, our Company sources various auto parts (including air compressors, water pumps, brake fittings, EPB/ABS/ECAS components and related hydraulic & electrical accessories and urea injection machine from Ruili Subsidiaries, to use and stock up inventories and subsequently sell such purchased auto parts to downstream vehicle manufacturers, aftermarket dealers and terminal clients via our Company’s established sales platform.

Purchasing finished auto parts and equipment from Ruili Subsidiaries enables us to secure stable, continuous product supply, shorten raw material & component preparation cycle and lift our overall operational efficiency. Meanwhile, relying on Ruili Company’s mature manufacturing & quality control system, we can secure consistent product quality to stabilize downstream customer cooperation and optimize end-user customer experience.

Drawing on our long-term historical cooperation experience with Ruili Subsidiaries for products and equipment procurement, we confirm the Ruili Subsidiaries can consistently deliver qualified products and equipment matching our ordering requirements in a reliable and steady manner. Accordingly, entering into the Procurement Framework Agreements and continuing relevant products and equipment procurement [REDACTED] is consistent with the commercial interests of our Company and our Shareholders.

Historical transaction amounts

	Historical transaction (RMB’000) for the year ended December 31,		
	2023	2024	2025
Procurement fees recognized by our Group	1,688,472	1,796,004	1,626,966

Annual caps and basis of caps

The maximum aggregate annual procurement amounts in respect of the Procurement Framework Agreements for the three years ending December 31, 2026, 2027 and 2028 shall not exceed the caps set out below:

	Proposed annual caps (RMB’000) for the year ended December 31,		
	2026	2027	2028
Procurement fees to be paid by our Group	1,800,000	1,800,000	1,800,000

CONNECTED TRANSACTIONS

In arriving at the above annual caps of RMB1,800,000,000 for each of the three years ending December 31, 2026, 2027 and 2028 respectively, the Directors have considered, among other things,

- (a) the historical transaction amounts for the financial years 2023, 2024 and 2025 respectively and the overall stable transaction scale during the Track Record Period;
- (b) the estimated demand for the Procurement for the three years ending December 31, 2028, which is expected to remain steady considering our Group's existing downstream customer base and planned business development. The annual caps for the Procurement are set at RMB1,800,000,000 per annum, slightly above the average historical procurement value, as (i) our Group has completed the phased expansion of downstream sales channels in prior years and the overall spare parts resale volume is expected to maintain stable operation without substantial sharp increase in short-term procurement demand in 2026 and subsequent years, and (ii) our ongoing optimization of diversified third-party supplier pool enables flexible procurement allocation between Ruili Subsidiaries and independent vendors to control overall procurement expenditure, thus avoiding excessive upward adjustment of annual procurement ceiling;
- (c) our Group's projected procurement of auto parts from Ruili Subsidiaries for 2026, which are supported by the actual procurement volume of orders fulfilled year-to-date in 2026. As of May 31, 2026, the aggregate procurement value of fulfilled orders placed with Ruili Subsidiaries reached RMB555 million; and
- (d) the estimated unit prices of the Procurement determined based on the existing contracts or arrangements between our Group and our Ruili Subsidiaries as well as prospective market price fluctuation of relevant auto parts.

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTION

Under Rule 14A.76(2) of the Listing Rules, the transactions under the subsection headed "— Non-exempt continuing connected transactions" will constitute our continuing connected transactions subject to those requirements under Chapter 14A of the Listing Rules upon the [REDACTED].

As the non-exempt continuing connected transaction is expected to continue on a recurring and continuing basis and have been fully disclosed in this document, our Directors consider that compliance with the announcement, circular and the independent Shareholders' approval requirements (as the case may be) would be impractical, and such requirements would lead to unnecessary administrative costs and would be unduly burdensome to us.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver exempting us from strict compliance with requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in the subsection headed "— Non-exempt continuing connected transactions", subject to the condition that the aggregate amounts of the continuing connected transactions for each financial year shall not exceed the relevant amounts set forth in the respective annual caps (as stated above).

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this document, we will take immediate steps to ensure compliance with such new requirements within reasonable time.

CONNECTED TRANSACTIONS

INTERNAL CONTROL MEASURES

In order to ensure that the terms under relevant agreement(s) for the continuing connected transactions are fair and reasonable, or no less favorable than terms available to or from independent third parties, and are carried out under normal commercial terms, we will adopt the following internal control procedures:

- (i) we have adopted and implemented a management system on connected transactions, and our Board and our various internal departments will be responsible for the control and daily management in respect of the continuing connected transactions;
- (ii) our various internal departments will be jointly responsible for evaluating the terms under the framework agreement for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each transaction;
- (iii) our various internal departments will regularly monitor the fulfillment status of the annual caps and the transaction updates under the framework agreement; and
- (iv) our independent non-executive Directors and auditors will conduct annual review of the continuing connected transactions under the framework agreement and provide annual confirmation to ensure that, in accordance with the Listing Rules, the transactions are conducted in accordance with the terms of the framework agreement, on normal commercial terms and in accordance with the relevant pricing policies.

DIRECTORS' CONFIRMATION

Our Directors (including our independent non-executive Directors) are of the view that the non-exempt continuing connected transactions as set out above are in our ordinary and usual course of business and on normal commercial terms, and are fair and reasonable and in the interest of our Company and our Shareholders as a whole, and the proposed annual caps for those transactions are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

THE SOLE SPONSOR'S CONFIRMATION

The Sole Sponsor has (i) reviewed the relevant documents and information provided by our Company in relation to the above non-exempt continuing connected transactions; and (ii) participated in the due diligence and discussions with the management of our Group. Based on the above, the Sole Sponsor is of the view that the aforesaid non-exempt continuing connected transactions, for which waiver has been sought, has been entered into in the ordinary and usual course of our business on normal commercial terms or better terms, are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that the proposed annual caps in respect of the non-exempt continuing connected transaction are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board comprises eight Directors, including three executive Directors, two non-executive Directors and three independent non-executive Directors. The following table sets forth general information regarding our Directors:

Name	Age	Positions	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities	Relationship with other Directors and Senior Management
Mr. Zhang Xiaoping (張曉平) . . .	63	Honorary chairman of the Board and non-executive Director	January 7, 2016	January 7, 2016	Formulating the overall business strategies and participating in making major decisions of our Company as a member of our Board	None
Ms. Yu Jinrui (余錦瑞) . . .	51	Executive Director and general manager	January 7, 2016	January 7, 2016	Management and business development of our Group	None
Mr. Xu Benguang (徐本光) . . .	49	Executive Director and vice general manager	January 7, 2016	January 7, 2016	Management and business development of our Group	None
Mr. Wu Zhengchu (吳正初) . . .	40	Executive Director, employees’ representative Director and chief information officer	December 31, 2020	June 12, 2026	Overall information technology strategy planning, digital transformation, and IT system management of our Group	None
Mr. Zhang Ruocong (張若聰) . . .	37	Non-executive Director	August 5, 2024	August 5, 2024	Providing professional opinion and judgment to our Board	None
Dr. Ben Shenglin (賁聖林) . . .	60	Independent non-executive Director	June 12, 2026	June 12, 2026	Supervising and providing independent opinion and judgment to the Board	None
Mr. NG Jack Ho Wan (吳浩雲) . . .	49	Independent non-executive Director	June 12, 2026	June 12, 2026	Supervising and providing independent opinion and judgment to the Board	None
Mr. Tong Zhiyi (童智毅) . . .	36	Independent non-executive Director	June 12, 2026	June 12, 2026	Supervising and providing independent opinion and judgment to the Board	None

Executive and non-executive Directors

Mr. Zhang Xiaoping (張曉平), aged 63, is the honorary chairman of the Board and a non-executive Director of our Company. He served as the chairman of the Board from January 2016 to December 2018, and as the Director and general manager from March to November 2021. He was re-elected as the chairman in November 2021. Mr. Zhang was redesignated as the honorary chairman of the Board and a non-executive Director in June 2026. He is primarily responsible for formulating the overall business strategies and participating in making major decisions of our Company as a member of our Board.

Mr. Zhang has over 40 years of extensive experience in the auto parts industry. Prior to founding our Company, from January 1979 to December 1986, he served as a staff member at Ruian Instrument Factory* (瑞安市儀錶廠). From June 1988 to December 1997, he served as factory director of Ruian Hongqi Auto Parts Factory* (瑞安市紅旗汽車配件廠), which he founded and which was renamed Ruian Heavy-Duty Auto Parts Factory* (瑞安市重型汽車配件廠) in October 1991; from December 1997 onward, he has served as chairman and

DIRECTORS AND SENIOR MANAGEMENT

general manager, a position he has held through the factory’s transformation into Ruian Heavy-Duty Auto Parts Manufacturing Co., Ltd.* (瑞安市重型汽車配件製造有限公司) in December 1997, its restructuring into Zhejiang Ruili Industrial Group Co., Ltd.* (浙江瑞立實業集團有限公司) (“**Ruili Industrial**”) in January 1998, and its renaming to Ruili Company in September 2002. Since March 2008, he has been serving as the chairman of Guangzhou Ruili Kormee Automotive Electronic Co., Ltd. (廣州瑞立科密汽車電子股份有限公司) (“**Ruili Kormee**”), a company listed on the Shenzhen Stock Exchange (stock code: 1285). Since November 2023, he has also been serving as a director of Zhejiang International Trade Group Co., Ltd.* (浙江省國際貿易集團有限公司).

Mr. Zhang currently serves as the president of the China Federation of Industry and Commerce Auto, Motorcycle, Parts and Accessories Chamber of Commerce (全國工商聯汽車摩托車配件用品業商會), a member of the Zhejiang Provincial Committee of the Chinese People’s Political Consultative Conference (浙江省政協委員), the honorary president for life of the Wenzhou Auto Motorcycle Parts Industry Association (溫州市汽摩配行業協會) and the honorary president of the Zhejiang Auto Parts Production and Distribution Federation (浙江省汽車零部件產銷聯合會).

Mr. Zhang graduated from Zhejiang Radio and Television University (浙江廣播電視大學) (now known as Zhejiang Open University (浙江開放大學)) with an associate degree, majoring in industrial enterprise management in September 1986. He was certified as a Senior Business Manager (高級經營師) by the Wenzhou Municipal People’s Government (溫州市人民政府) in November 2009.

Mr. Zhang was a chairman of the board, deputy chairman of the board, director, supervisor, legal representative, general manager and general partner (as the case may be) of the following dissolved companies. Mr. Zhang confirmed that the following companies were solvent immediately prior to their dissolutions and had no outstanding claims or liabilities; during the existence of such companies, he had not committed any misconduct whatsoever; and the dissolutions of such companies were not attributable to any improper acts on his part:

<u>Company name</u>	<u>Place of establishment</u>	<u>Position held</u>	<u>Date of dissolution</u>	<u>Nature of proceeding</u>	<u>Nature of business before dissolution</u>
Shanghai Ruili Auto Component parts Co., Ltd.* (上海瑞立汽車零部件有限公司)	PRC	director	October 12, 2017	Dissolved by resolution	Sales of auto parts
Zhejiang Ruili Investment Co., Ltd.* (浙江瑞立投資有限公司)	PRC	chairman of the board	May 23, 2022	Revocation of business license	Industrial investment and investment consultant
Yichun Jiaoyun Xinruili Auto Parts Co., Ltd.* (宜春交運新瑞立汽配有限公司)	PRC	executive director	January 17, 2024	Dissolved by resolution	Sales of auto parts
Wuhu Xinchao Industrial Co., Ltd.* (蕪湖新潮實業有限公司)	PRC	director	April 14, 2021	Dissolved by resolution	Manufacture and sales of leather products
Shanghai Chunquan Landscape Engineering Co., Ltd.* (上海春泉綠化工程有限公司)	PRC	supervisor	September 27, 2022	Revocation of business license	Landscape engineering and landscape horticulture
Shanghai Kaifei Sports Management Co., Ltd.* (上海凱飛體育管理有限公司)	PRC	supervisor	December 18, 2012	Voluntary deregistration	Consultant of sports management
Hainan Xiangyun Venture Capital Fund (Limited Partnership)* (海南祥雲創業投資基金(有限合伙))	PRC	general partner	October 9, 2019	Dissolved by resolution	Equity investment

DIRECTORS AND SENIOR MANAGEMENT

Company name	Place of establishment	Position held	Date of dissolution	Nature of proceeding	Nature of business before dissolution
Shanghai Baisirui Maternity Hospital Co., Ltd.* (上海百思瑞產科醫院有限公司)	PRC	deputy chairman of the board	April 1, 2020	Dissolved by resolution	Profitable medical institution
Jiangxi Ruili Real Estate Co., Ltd.* (江西瑞立置業有限公司)	PRC	legal representative	November 21, 2006	Voluntary deregistration	Real estate development and property management
Hangzhou Fuyue Real Estate Co., Ltd.* (杭州富越房地產有限公司)	PRC	director	November 30, 2018	Dissolved by resolution	Real estate development and property management
Hangzhou Xinsheng Hongye Real Estate Development Co., Ltd.* (杭州欣盛宏業房地產開發有限公司)	PRC	director	December 13, 2022	Dissolved by resolution	Operation and development of real estate
Shanghai Ruili Real Estate Co., Ltd.* (上海瑞立置業有限公司)	PRC	chairman of the board	July 14, 2006	Voluntary deregistration	Operation and development of real estate
Ruili (Hangzhou) Energy Saving Technology Co., Ltd.* (瑞立(杭州)節能科技有限公司)	PRC	chairman of the board	November 16, 2020	Dissolved by resolution	Sales of auto parts
Hangzhou Ruili Real Property Development Co., Ltd.* (杭州瑞立房地產開發有限公司)	PRC	executive director and general manager	February 8, 2012	Voluntary deregistration	Operation and development of real estate
Changchun FAW Industrial Ruili Auto Parts Co., Ltd.* (長春一汽實業瑞立汽車部件有限公司)	PRC	deputy chairman of the board	May 7, 2009	Voluntary deregistration	Manufacture and sales of auto parts
Shanghai Jiabao Intelligent Technology Co., Ltd.* (上海駕保智能科技有限公司)	PRC	deputy chairman of the board	August 3, 2021	Dissolved by resolution	Research and development of electromechanical equipment technologies
Ruian Ruili Siping Instrument Co., Ltd.* (瑞安市瑞立四平儀表有限公司)	PRC	chairman of the board	March 6, 2018	Voluntary deregistration	Manufacture and sales of automobile meters, instruments and accessories
Ruian Ruili Haizhiguan Auto Component parts Co., Ltd.* (瑞安市瑞立海之冠汽車零部件有限公司)	PRC	director	November 29, 2010	Voluntary deregistration	Manufacture and sales of electronic fuel pumps and related auto parts
Shanghai Huhao Auto Component parts Co., Ltd. No. 1 Branch* (上海滬豪汽車零部件有限公司第一分公司)	PRC	legal representative	December 9, 2021	Revocation of business license	Manufacture and sales of auto parts and relevant products, and after-sales service
Hangzhou Ruili Real Property Development Co., Ltd. Binjiang Branch* (杭州瑞立房地產開發有限公司濱江分公司)	PRC	legal representative	September 23, 2008	Voluntary deregistration	Sales of building materials, develop business for the company

DIRECTORS AND SENIOR MANAGEMENT

<u>Company name</u>	<u>Place of establishment</u>	<u>Position held</u>	<u>Date of dissolution</u>	<u>Nature of proceeding</u>	<u>Nature of business before dissolution</u>
Hangzhou Ruili Real Property Development Co., Ltd. Qingbo Branch* (杭州瑞立房地產開發有限公司清波分公司)	PRC	legal representative	October 9, 2008	Voluntary deregistration	Sales of real estate developed by headquarters
SORL International Holding Limited	Hong Kong	director	June 8, 2018	Struck off	Sales of auto parts

Ms. Yu Jinrui (余錦瑞), aged 51, is an executive Director and the general manager of our Company. She served as a Director of our Company from January 2016 to December 2018, and has been serving as a Director and manager of our Company since November 2021. Ms. Yu was redesignated as an executive Director and the general manager in June 2026. She is primarily responsible for the management and business development of our Group.

Ms. Yu has extensive experience in international trade and corporate management in the auto parts industry. From January 1998 to September 2002, she served as the head of the international trade department at Ruili Industrial. From September 2002 to August 2020, she successively served as the head of the international trade department and assistant to the general manager, and executive general manager at Ruili Company. Since June 2021, she has been serving as a director of Ruili Kormee.

Ms. Yu graduated from the Adult Education College of Fudan University (復旦大學成人教育學院) with an associate degree, majoring in finance in June 1997. She further obtained a bachelor's degree in English from Zhejiang University of Technology (浙江工業大學) through a correspondence course in January 2007.

Ms. Yu currently serves as a deputy to the Ruian Municipal People's Congress (瑞安市人大代表). She was certified as a Senior Business Manager (高級經營師) by the Wenzhou Municipal People's Government (溫州市人民政府) in December 2013.

Ms. Yu was a deputy chairman of the board, director, and supervisor (as the case may be) of the following dissolved companies. Ms. Yu confirmed that the following companies were solvent immediately prior to their dissolutions and had no outstanding claims or liabilities; during the existence of such companies, she had not committed any misconduct whatsoever; and the dissolutions of such companies were not attributable to any improper acts on her part:

<u>Company name</u>	<u>Place of establishment</u>	<u>Position held</u>	<u>Date of dissolution</u>	<u>Nature of proceeding</u>	<u>Nature of business before dissolution</u>
Ruian Ruili Auto Parts Sales Co., Ltd.* (瑞安市瑞立汽車配件銷售有限公司)	PRC	deputy chairman of the board	March 9, 2006	Voluntary deregistration	Sales of auto parts
Hangzhou Lichuang Investment Co., Ltd.* (杭州立創投資有限公司)	PRC	supervisor	December 7, 2012	Voluntary deregistration	Industrial investment
Ruian Ruili Haizhiguan Auto Component parts Co., Ltd.* (瑞安市瑞立海之冠汽車零部件有限公司)	PRC	director	November 29, 2010	Voluntary deregistration	Manufacture and sales of electronic fuel pumps and related auto parts
SORL International Holding Limited	Hong Kong	director	June 8, 2018	Struck off	Sales of auto parts

Mr. Xu Benguang (徐本光), aged 49, is an executive Director and the vice general manager of our Company. He joined our Company since its establishment, served as a Director from January 2016 to March 2021, and has been serving as a Director since

DIRECTORS AND SENIOR MANAGEMENT

November 2021. He was re-elected as an executive Director in June 2026. Mr. Xu served as the general manager from January 2016 to March 2021, and was redesignated as the vice general manager in March 2021. He is primarily responsible for the management and business development of our Group.

Mr. Xu has extensive experience in sales and corporate management in the auto parts industry. Since March 1993, he has successively served as a staff member, manager, head of the spare parts division of the sales company, vice general manager of sales, general manager of sales, general manager of sales and assistant to the group president, and general manager of sales at Ruili Company. From December 2017 to December 2019, he served as a manager at Hangzhou Hangcheng Friction Material Co., Ltd.* (杭州杭城摩擦材料有限公司), and had been serving as a director of the same company from December 2019 to April 2026.

Mr. Xu graduated from the Correspondence College of the Party School of the Zhejiang Provincial Committee of the Communist Party of China (中共浙江省委黨校函授學院) with an associate degree, majoring in enterprise management in June 2009. He was certified as a Senior Business Manager (高級經營師) by the Wenzhou Municipal People’s Government (溫州市人民政府) in November 2010.

Mr. Xu was a director, supervisor, legal representative, person in charge and operator (as the case may be) of the following dissolved companies. Mr. Xu confirmed that the following companies were solvent immediately prior to their dissolutions and had no outstanding claims or liabilities; during the existence of such companies, he had not committed any misconduct whatsoever; and the dissolutions of such companies were not attributable to any improper acts on his part:

<u>Company name</u>	<u>Place of establishment</u>	<u>Position held</u>	<u>Date of dissolution</u>	<u>Nature of proceeding</u>	<u>Nature of business before dissolution</u>
Shanghai Ruili Auto Parts Co., Ltd. Branch* (上海瑞立汽車配件有限公司分公司)	PRC	person in charge	December 27, 2004	Revocation	Sales of auto parts
Shanghai Ruili Auto Parts Co., Ltd.* (上海瑞立汽車配件有限公司)	PRC	executive director and legal representative	February 6, 2006	Revocation	Sales of auto parts
Shanghai Ruili Auto Component parts Co., Ltd.* (上海瑞立汽車零部件有限公司)	PRC	director	October 12, 2017	Dissolved by resolution	Sales of auto parts
Shanghai Taijiang Auto Parts Co., Ltd.* (上海泰靚汽配有限公司)	PRC	executive director and legal representative	August 17, 2020	Revocation of business license	Sales of auto parts
Hangzhou Lichuang Investment Co., Ltd.* (杭州立創投資有限公司)	PRC	supervisor	December 7, 2012	Voluntary deregistration	Industrial investment
Guangzhou Ruili Auto Parts Co., Ltd.* (廣州市銳立汽配有限公司)	PRC	supervisor	December 8, 2021	Dissolved by resolution	Sales of auto parts
Shanghai Ruifan Auto Parts Co., Ltd.* (上海瑞繁汽車配件有限公司)	PRC	supervisor	June 29, 2012	Voluntary deregistration	Sales of auto parts
Ruili Group Ruian Ruilaite Automotive Lighting Co., Ltd.* (瑞立集團瑞安市瑞萊特汽車照明有限公司)	PRC	director	September 18, 2013	Voluntary deregistration	Manufacture and sales of auto parts

DIRECTORS AND SENIOR MANAGEMENT

Company name	Place of establishment	Position held	Date of dissolution	Nature of proceeding	Nature of business before dissolution
Duanli Auto Parts Business Department of Chongqing Hi-Tech Industry Development Zone* (重慶市高新技術 產業開發區瑞立汽車配 件經營部)	PRC	operator	March 16, 2026	Voluntary deregistration	Sales of auto parts
Ruili Auto Parts Sales Department of Xi'an Lianhu* (西安市蓮湖區 瑞立汽配經銷部)	PRC	operator	March 29, 2023	Voluntary deregistration	Sales of auto parts
Ruian Auto Parts Store of Harbin Daoli District* (哈爾濱市道里區瑞安汽 車配件商店)	PRC	operator	December 11, 2025	Voluntary deregistration	Sales of auto parts
Ruili Auto Parts Sales Department of Nanchang* (南昌瑞立汽 配經銷處)	PRC	operator	September 27, 2024	Voluntary deregistration	Sales of auto parts
Ruili Auto Parts Sales Department of Kunming Guandu* (昆明市官渡區瑞立汽車 配件銷售部)	PRC	operator	November 16, 2016	Voluntary deregistration	Sales of auto parts
Ruili Auto Parts Operation Department of Tianjin Hexi* (天津 市河西區瑞立汽配經營 部)	PRC	operator	August 7, 2020	Dissolved by resolution	Sales of auto parts
Qunxing Shoe Materials Business Department of Ruian* (瑞安市群星鞋 材經營部)	PRC	operator	October 14, 2016	Voluntary deregistration	Shoe material wholesales
Ruili Auto Parts Operation Department of Urumqi Xinshi District* (烏魯木齊市新 市區瑞立配件經營部) . .	PRC	operator	July 11, 2007	Voluntary deregistration	Sales of auto parts

Mr. Wu Zhengchu (吳正初), aged 40, has been an executive Director and the employees' representative Director of our Company since June 2026. Since December 2020, he has been serving as the chief information officer of our Company. He is primarily responsible for the overall information technology strategy planning, digital transformation, and IT system management of our Group.

Mr. Wu has extensive experience in information technology management. From July 2008 to November 2008, he worked at Hangzhou Chuangdian Technology Co., Ltd.* (杭州創典科技有限公司). From December 2008 to August 2009, he worked at Hangzhou Thunderbird Computer Software Co., Ltd.* (杭州雷鳥計算機軟件有限公司). From September 2009 to July 2011, he served as a programmer at Ruili Company. From August 2011 to November 2017, he served as the chief information officer at Ruili Group Ruian Auto Parts Co., Ltd.* (瑞立集團瑞安汽車零部件有限公司). From December 2017 to August 2020, he served as the chief information officer at Ruili Company.

Mr. Wu graduated from Zhejiang Sci-Tech University (浙江理工大學) with a bachelor's degree, majoring in electronic information science and technology in July 2008. He was certified as a Senior Engineer (高級工程師) by the Zhejiang Software Industry Association (浙江省軟件行業協會) in December 2023.

Mr. Wu was recognized as a Category E Talent of Wenzhou (溫州市E類人才) by the Talent Work Leading Group Office of the Wenzhou Municipal Committee of the Communist

DIRECTORS AND SENIOR MANAGEMENT

Party of China (中共溫州市委人才工作領導小組辦公室) in September 2025, as a Jingying Talent (菁英人才) of Ruian City for the year 2023 by the Talent Work Leading Group Office of the Ruian Municipal Committee of the Communist Party of China (中共瑞安市委人才工作領導小組辦公室) in August 2023, and as an Excellent CIO of the Yangtze River Delta for the year 2023 (2023年度長三角優秀CIO) by the Yangtze River Delta CIO Alliance (長三角CIO聯盟) in December 2023.

Mr. Zhang Ruocong (張若聰), aged 37, is a non-executive Director of our Company. Mr. Zhang has been serving as a Director of our Company since August 2024, and was redesignated as a non-executive Director in June 2026. He is primarily responsible for providing professional opinion and judgment to our Board.

Mr. Zhang has extensive experience in investment and capital markets. Since December 2020, he has been working at Shanghai Hengxu Chuangling Private Equity Fund Management Co., Ltd.* (上海恒旭創領私募基金管理有限公司) (the “**Hengxu Chuangling**”) with his current position as an executive director.

Mr. Zhang Ruocong has maintained clear professional boundaries between his roles, and his responsibilities at Hengxu Chuangling do not conflict with his fiduciary duties to our Company. Appropriate safeguards have been established to ensure objective judgment in the Board’s deliberations, including, in accordance with the Articles of Association, Mr. Zhang Ruocong’s abstention from voting on matters in which Hengxu Chuangling has a conflict of interest. The Directors are of the view that the involvement of Mr. Zhang Ruocong in Hengxu Chuangling does not impair his independence, and that he continues to fulfill his director’s duties with integrity and in the best interests of the Company.

Mr. Zhang graduated from Shenzhen University (深圳大學) with a bachelor’s degree in finance in July 2010. He obtained a master’s degree in mathematical economics from the University of Bonn (德國波恩大學) in August 2014. He further obtained an MBA degree jointly from Tsinghua University PBC School of Finance (清華大學五道口金融學院) and Cornell University (美國康奈爾大學) in June 2024.

Independent Non-executive Directors

Dr. Ben Shenglin (黃聖林), aged 60, has been serving as an independent non-executive Director of our Company since June 2026. He is primarily responsible for supervising and providing independent opinion and judgment to the Board.

Dr. Ben has extensive experience in banking and finance. From September 1994 to February 2005, he served at ABN AMRO Bank N.V. (荷蘭銀行), with his last position being senior vice president and head of working capital business for China. From February 2005 to April 2010, he served as head of financial institutions business for China and managing director, and head of commercial banking business for China at HSBC Bank (China) Limited (滙豐銀行(中國)有限公司). From April 2010 to May 2014, he served as the president of JPMorgan Chase Bank (China) Limited (摩根大通銀行(中國)有限公司) and a member of the global leadership team of JPMorgan Chase Global Corporate Bank. Since May 2014, Dr. Ben has been a professor at Zhejiang University (浙江大學) and he currently serves as the dean of the International Business School of Zhejiang University (浙江大學國際聯合商學院) and the Academy of Internet Finance of Zhejiang University (浙江大學金融科技研究院). Since July 2021, he has been serving as an independent director at Industrial Bank Co., Ltd. (興業銀行股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601166). Since August 2023, he has been serving as an independent director at Caitong Securities Co., Ltd. (財通證券股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601108). Since October 2020, he has been serving as an independent director at Zhejiang Orient Holdings Group Co., Ltd. (浙江東方控股集團股份有限公司) (formerly known as Zhejiang Orient Financial Holdings Group Co., Ltd. (浙江東方金融控股集團股份有限公司)), a company listed on the Shanghai Stock Exchange (stock code: 600120).

Dr. Ben graduated from Tsinghua University (清華大學) with a bachelor’s degree, majoring in industrial automation, from the Department of Automation in July 1987. He obtained a master’s degree, majoring in industrial enterprise management from Renmin University of China (中國人民大學) in March 1990. He further obtained a doctoral degree in economics from Purdue University (美國普渡大學) in August 1994.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Ben was a director and supervisor (as the case may be) of the following dissolved companies. Dr. Ben confirmed that the following companies were solvent immediately prior to their dissolutions and had no outstanding claims or liabilities; during the existence of such companies, he has not committed any misconduct whatsoever; and the dissolutions of such companies was not attributable to any improper acts on his part:

Company name	Place of establishment	Position held	Date of dissolution	Nature of proceeding	Nature of business before dissolution
Shanghai Jiuling Business Consultant Co., Ltd.* (上海久靈商務諮詢有限公司)	PRC	supervisor	November 1, 2008	Revocation	Social economy Consultant

Mr. NG Jack Ho Wan (吳浩雲), aged 49, has been serving as an independent non-executive Director of our Company since June 2026. He is primarily responsible for supervising and providing independent opinion and judgment to the Board.

Mr. Ng has extensive experience in auditing, accounting and corporate finance. From September 1997 to February 2001, he served at PricewaterhouseCoopers LLP in Canada, with his last position being a senior associate. From March 2001 to October 2012, he served at KPMG in Hong Kong, with his last position being partner. In addition, since June 2013, he has been serving as the managing director of Jack H.W. Ng CPA Limited (吳浩雲會計師行有限公司).

Mr. Ng has also served as an independent non-executive director on the boards of several listed companies. Since December 2016, he has been serving as an independent non-executive director at HM International Holdings Limited, a company listed on the Stock Exchange (stock code: 8416). Since December 2020, he has been serving as an independent non-executive director at AI X Tech Inc. (車市科技有限公司), a company listed on the Stock Exchange (stock code: 1490). Since May 2024, he has been serving as an independent non-executive director at Shenzhen Dobot Corp Ltd (深圳市越疆科技股份有限公司), a company listed on the Stock Exchange (stock code: 2432).

Mr. Ng obtained a bachelor’s degree in business administration from Simon Fraser University (西門菲沙大學) in Canada in May 2000. He has been recognized as a Chartered Professional Accountant by the Chartered Professional Accountants of Canada (加拿大特許專業會計師協會) since February 2001. Mr. Ng has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants (香港會計師公會) since September 2003 and became a fellow member of the same institute since May 2010. He has been recognized as a Financial Risk Manager by the Global Association of Risk Professionals (全球風險管理專業人士協會) since November 2004. Mr. Ng has been recognized as a Chartered Financial Analyst by the Chartered Financial Analyst Institute (特許金融分析師協會) since September 2007.

Mr. Ng was a director of BottLess Foundation Limited, an entity established in Hong Kong primarily engaged in ESG solution. The company was dissolved on May 3, 2024. Mr. Ng confirmed that the company was solvent immediately prior to its dissolution and had no outstanding claims or liabilities; during the existence of such company, he has not committed any misconduct whatsoever; and the dissolution of such company was not attributable to any improper acts on his part.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Tong Zhiyi (童智毅), aged 36, has been serving as an independent non-executive Director of our Company since June 2026. He is primarily responsible for supervising and providing independent opinion and judgment to the Board.

Mr. Tong has extensive experience in legal practice. Since July 2014, he has been serving as a full-time lawyer and now is a partner at Zhejiang T&C Law Firm* (浙江天冊律師事務所). Since March 2024, he has also been serving as the executive director, general manager and financial officer of Hangzhou Bonnie Dijiu Trading Co., Ltd.* (杭州邦妮地久貿易有限公司).

Mr. Tong graduated from Southwest University of Political Science and Law (西南政法大學) with a bachelor’s degree in law in June 2012. He obtained a Master of Laws (LL.M.) degree from the University of Southern California in May 2013. He was granted the PRC Legal Professional Qualification Certificate (中華人民共和國法律職業資格證書) by the Ministry of Justice of the People’s Republic of China (中華人民共和國司法部) in September 2012, and obtained the PRC Lawyer’s Practice License (中華人民共和國律師執業證) from the Department of Justice of Zhejiang Province (浙江省司法廳) in September 2015.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The following table sets out the key information about our senior management of our Group.

Name	Age	Positions	Date of joining our Group	Date of appointment as a senior management	Roles and responsibilities	Relationship with other Directors and senior management
Ms. Yu Jinrui (余錦瑞) . . .	51	Executive Director and general manager	January 7, 2016	January 7, 2016	Management and business development of our Group	None
Mr. Xu Benguang (徐本光) . . .	49	Executive Director and vice general manager	January 7, 2016	January 7, 2016	Management and business development of our Group	None
Mr. Wu Zhengchu (吳正初) . . .	40	Executive Director, employees’ representative Director and chief information officer	December 31, 2020	December 31, 2020	Overall information technology strategy planning, digital transformation, and IT system management of our Group	None
Mr. Lin Jianfeng (林建鋒) . . .	44	Chief financial officer, secretary of the Board and company secretary	June 12, 2026	June 12, 2026	Overall management of finance and overall corporate governance, information disclosure, investor relations and other Board-related matters of our Group	None

DIRECTORS AND SENIOR MANAGEMENT

Ms. Yu Jinrui (余錦瑞), Mr. Xu Benguang (徐本光) and Mr. Wu Zhengchu (吳正初), see “— Board of Directors — Executive and non-executive Directors” for details.

Mr. Lin Jianfeng (林建鋒), aged 44, joined our Group in June 2026 and has since served as our chief financial officer and secretary of the Board. He was appointed as a joint company secretary with effect from the [REDACTED]. He is primarily responsible for the overall management of finance and overall corporate governance, information disclosure, investor relations and other Board-related matters of our Group.

Mr. Lin has extensive experience in financial management and corporate governance. Prior to his current role, from July 2006 to September 2013, he served as a manager of the finance department at Ruili Company. From October 2013 to September 2016, he served as an assistant to the general manager at Ruili Group Ruian Auto Parts Co., Ltd.* (瑞立集團瑞安汽車零部件有限公司). From September 2016 to April 2026, he served as the vice general manager, the secretary of the Board, and the financial director at Ruili Kormee.

Mr. Lin graduated from the Technical College of Chongqing (重慶工學院) (currently known as Chongqing University of Technology (重慶理工大學)) with a bachelor’s degree, majoring in management in June 2004. He further obtained a master’s degree, majoring in financial management, from Zhongnan University of Economics and Law (中南財經政法大學) in June 2006.

COMPANY SECRETARY

Mr. Lin Jianfeng (林建鋒) has been appointed as a joint company secretary of our Company with effect from the [REDACTED]. See “— Senior Management” for details.

Ms. Lau Chun Yan (劉俊欣) was appointed as a joint company secretary of our Company with effect from the [REDACTED]. Ms. Lau is an assistant manager of the listed company secretarial department at SWCS Corporate Services Group (Hong Kong) Limited (方圓企業服務集團(香港)有限公司).

Ms. Lau obtained her master’s degree in corporate governance and compliance from Hong Kong Metropolitan University (香港都會大學). She is an associate of The Hong Kong Chartered Governance Institute (the “HKCGI”) and The Chartered Governance Institute in the United Kingdom (the “CGI”).

BOARD COMMITTEES

Our Board delegates certain responsibilities to various Board committees. In accordance with the relevant PRC laws and regulations, the Articles and the Listing Rules, we have established our Audit Committee, Nomination Committee and Remuneration Committee.

Audit Committee

We have established an audit committee with terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the Corporate Governance Code. The audit committee consists of Mr. NG Jack Ho Wan (吳浩雲), Mr. Tong Zhiyi (童智毅) and Dr. Ben Shenglin (賁聖林), with Mr. NG Jack Ho Wan (吳浩雲) being the chairperson of the committee.

The primary function of the audit committee is to assist our Board in providing an independent view of our financial reporting process, internal control and risk management system, overseeing the audit process and performing other duties and responsibilities as assigned by our Board.

Nomination Committee

We have established a nomination committee with terms of reference in compliance with Rule 3.27A of the Listing Rules and paragraph B.3 of the Corporate Governance Code. The nomination committee consists of Dr. Ben Shenglin (賁聖林), Mr. Tong Zhiyi (童智毅) and Ms. Yu Jinrui (余錦瑞), with Dr. Ben Shenglin (賁聖林) being the chairperson of the committee.

The primary function of the nomination committee is to make recommendations to our Board in relation to the appointment and removal of Directors.

DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

We have established a remuneration committee with terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of the Corporate Governance Code. The remuneration committee consists of Mr. Tong Zhiyi (童智毅), Mr. NG Jack Ho Wan (吳浩雲) and Mr. Zhang Xiaoping (張曉平), with Mr. Tong Zhiyi (童智毅) being the chairperson of the committee.

The primary function of the remuneration committee is to develop remuneration policies of our Directors, evaluate the performance, make recommendations on the remuneration packages of our Directors and senior management and evaluate and make recommendations on employee benefit arrangements.

CONFIRMATION FROM OUR DIRECTORS

Rule 8.10 of the Listing Rules

Each of our Directors confirms that as at the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, either directly or indirectly, with our Company’s business which would require disclosure under Rule 8.10 of the Listing Rules.

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on June 13 or 17, 2026, and (ii) understands all the requirements under the Listing Rules that are applicable to him or her as a director of a listed issuer and the possible consequences of making a false statement or providing false information to the Stock Exchange.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he had no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as at the Latest Practicable Date, and (iii) that there are no other factors that may affect his independence at the time of his appointment.

Rule 13.51(2) of the Listing Rules

Save as disclosed herein, to the best knowledge, information and belief of our Directors having made all reasonable inquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

CORPORATE GOVERNANCE

Board Diversity

The Board has adopted a board diversity policy (the “**Board Diversity Policy**”) prior to the [REDACTED] in order to enhance the effectiveness of our Board and to maintain a high standard of corporate governance. Our Company recognizes and embraces the benefits of having a diverse Board. Pursuant to the Board Diversity Policy, in reviewing and assessing suitable candidates to serve as a Director of the Company, the Nomination Committee will consider a range of diversity perspectives with reference to the Company’s business model and specific needs, including but not limited to gender, age, language, cultural and educational background, professional qualifications, skills, knowledge, industry and regional experience and/or length of service. All board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

As at the Latest Practicable Date, our Board consists of 7 male members and 1 female member with ages ranging from 36 years old to 63 years old. Our Directors have a balanced

DIRECTORS AND SENIOR MANAGEMENT

portfolio of knowledge and skills, including auto parts, international trade, corporate management, information technology management, accounting, banking and finance, and legal practice, etc. They obtained degrees in various fields such as businesses administration, corporate strategy and marketing, accounting and law. Our Company has reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable our Company to maintain high standard of operation.

Upon the [REDACTED], the Nomination Committee will from time to time review the Board Diversity Policy, develop and review measurable objectives for implementing the policy, and monitor the progress on achieving these measurable objectives in order to ensure that the policy remains effective. The Company will (i) disclose the biographical details of each Director and (ii) report on the implementation of the Board Diversity Policy (including whether we have achieved board diversity) in its annual corporate governance report.

EMOLUMENT OF DIRECTORS AND SENIOR MANAGEMENT

We offer our Directors and senior management members, who are also employees of our Company, emolument in the form of salaries, allowances, bonuses and benefits in kind. Our independent non-executive Directors receive emolument based on their responsibilities (including being members or chairman of Board committees).

The aggregate amount of remuneration which was paid to our Directors for the three years ended December 31, 2023, 2024 and 2025 were RMB1.2 million, RMB1.3 million and RMB1.5 million, respectively.

It is estimated that the aggregate amount of remuneration payable to Directors for the year ending December 31, 2026 will be approximately RMB1.5 million under arrangements in force at the date of this document.

The aggregate amount of remuneration which were paid by the Group to our five highest paid individuals (excluding Directors) for the three years ended December 31, 2023, 2024 and 2025 were RMB1.2 million, RMB1.3 million and RMB1.4 million, respectively.

None of our Directors or any past directors of any member of the Group or five highest paid individuals has been paid any sum of money for the three years ended December 31, 2023, 2024 and 2025 as (a) an inducement to join or upon joining the Company; or (b) a compensation for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for the three years ended December 31, 2023, 2024 and 2025.

Except as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors or the five highest paid individuals of our Group during the Track Record Period.

For additional information on Directors’ remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to notes 9 and 10 of the Accountants’ Report in Appendix I to this document.

COMPLIANCE ADVISER

We have appointed VBG Capital Limited (“VBG”) as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on the following circumstances:

- a. before the publication of any announcements, circulars or financial reports required by regulatory authorities or applicable laws;
- b. where a transaction, which might constitute a notifiable or connected transaction under the Listing Rules, is contemplated, including share issues and securities repurchases;
- c. where we propose to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate or other information in this document;

DIRECTORS AND SENIOR MANAGEMENT

- d. where the Stock Exchange makes an inquiry of us regarding unusual [REDACTED] and [REDACTED] or other issues under Rule 13.10 of the Listing Rules; and
- e. Pursuant to Rule 3A.24 of the Listing Rules, VBG will, in a timely manner, inform us of any amendment or supplement to the Listing Rules that are announced by the Stock Exchange. VBG will also inform us of any amendment or supplement to applicable laws and guidelines.

The term of the appointment will commence on the [REDACTED] and end on the date on which we distribute the annual report of the first full financial year commencing after the [REDACTED] pursuant to the Rule 13.46 of the Listing Rules.

SHARE CAPITAL

SHARE CAPITAL

Immediately before the [REDACTED]

As at the Latest Practicable Date, the registered share capital of the Company was RMB227,839,787, comprising 227,839,787 Domestic Unlisted Shares with a nominal value of RMB1.00.

Upon the Completion of the [REDACTED]

Immediately after the [REDACTED], the share capital of the Company will be as follows:

Description of Shares	Number of Shares ⁽¹⁾	Approximate % of the enlarged [REDACTED] share capital after the [REDACTED] ⁽¹⁾	Number of Shares ⁽²⁾	Approximate % of the enlarged [REDACTED] share capital after the [REDACTED] ⁽²⁾
Domestic Unlisted Shares in issue . . .	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]%
H Shares to be converted from Domestic Unlisted Shares	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]%
H Shares to be issued pursuant to the [REDACTED].	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]%
Total	[REDACTED]	100%	[REDACTED]	100%

Notes:

- (1) Assuming that the [REDACTED] is not exercised.
- (2) Assuming that the [REDACTED] is fully exercised.

CLASS OF SHARES

The H Shares in [REDACTED] following the completion of the [REDACTED] and the Domestic Unlisted Shares are ordinary Shares in the share capital of our Company and are considered as one class of Shares. However, H Shares may only be [REDACTED] for and [REDACTED] in Hong Kong dollars (except for H Shares under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, if applicable, and can be [REDACTED] in Renminbi) between qualified domestic institutional [REDACTED] of the PRC, legal and natural persons of Hong Kong, Macau, Taiwan or any country or jurisdiction other than the PRC. Apart from certain qualified domestic institutional [REDACTED] in the PRC, as well as certain PRC qualified [REDACTED] under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, if applicable, H Shares generally cannot be [REDACTED] by or [REDACTED] among legal and natural persons of the PRC. Domestic Unlisted Shares, on the other hand, may be [REDACTED] or [REDACTED] between legal and natural persons of the PRC, qualified foreign institutional [REDACTED] or qualified foreign strategic [REDACTED].

RANKING

Domestic Unlisted Shares and H Shares are regarded as one class of Shares under the Articles of Association and will rank equally for all dividends or distributions declared, paid or made after the date of this document. However, the transfer of the Domestic Unlisted Shares is subject to such restrictions as PRC laws may impose from time to time.

SHARE CAPITAL

CONVERSION OF OUR DOMESTIC UNLISTED SHARES INTO H SHARES

After the completion of the [REDACTED], our Shares will consist of Domestic Unlisted Shares and H Shares, which are all ordinary Shares in the share capital of our company. Our Domestic Unlisted Shares are Shares which are currently not listed or traded on any stock exchange. According to the stipulations by the State Council’s securities regulatory authority and the Articles of Association, the holders of our Domestic Unlisted Shares may, at their own option, authorize the Company to apply to the CSRC for conversion of their respective Shares to H Shares. After the conversion of Domestic Unlisted Shares, such converted Shares may be [REDACTED] or [REDACTED] on an overseas stock exchange, provided that prior to the conversion and [REDACTED] of such converted shares any requisite internal approval processes shall have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, shall have been obtained. In addition, such conversion, [REDACTED] and [REDACTED] shall in all respects comply with the regulations prescribed by the State Council’s securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

Approval of the Stock Exchange is required for the [REDACTED] of such converted shares on the Stock Exchange. Based on the methodology and procedures for the conversion of our Domestic Unlisted Shares into H Shares as described in this section, we can apply for the [REDACTED] of all or any portion of our Domestic Unlisted Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the [REDACTED]. As any [REDACTED] of additional Shares after our [REDACTED] on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for [REDACTED] at the time of our [REDACTED] in Hong Kong.

After the completion of filing and all the requisite approvals have been obtained, the following procedure will need to be completed in order to effect the conversion: the relevant Domestic Unlisted Shares will be withdrawn from the Domestic Share register and we will re-register such Shares on our [REDACTED] maintained in Hong Kong and instruct the [REDACTED] to [REDACTED] H Share certificates. Registration on our [REDACTED] will be conditional on (a) the [REDACTED] lodging with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the [REDACTED] and the due dispatch of H Share certificates and (b) the admission of the H Shares to [REDACTED] on the Stock Exchange in compliance with the Listing Rules, the [REDACTED] and the [REDACTED] in force from time to time. Until the converted shares are re-registered on our [REDACTED], such Shares would not be [REDACTED] as H Shares.

No Shareholder voting by class is required for the [REDACTED] and [REDACTED] of the converted Shares on an overseas stock exchange. Any application for [REDACTED] of the converted shares on the Stock Exchange after our [REDACTED] is subject to prior notification by way of announcement to inform Shareholders and the public of such proposed conversion.

Following the completion of the [REDACTED] and filing procedure with the CSRC, a total of [REDACTED] Domestic Unlisted Shares held by certain Shareholders will be converted into H Shares on a one-for-one basis and [REDACTED] on Stock Exchange for [REDACTED], details of the conversion and numbers of H Shares and Domestic Unlisted Shares before and after the [REDACTED] (assuming the [REDACTED] is not exercised) are set out as below:

SHARE CAPITAL

Name of Shareholders	Number of Domestic Unlisted Shares held as at the Latest Practicable Date	Number of Shares Applied for Conversion into H Shares	Percentage of Shares applied for conversion into H Shares held by the Shareholder as at the Latest Practicable Date	Number of H Shares held after the [REDACTED]	Number of Domestic Unlisted Shares held after the [REDACTED]	Percentage of total number of Shares after the [REDACTED] ⁽¹⁾
1 Ruili Company	170,000,000	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]%
2 Ruili Ruiheng	30,000,000	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]%
3 Wenzhou Transportation	5,312,983	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]%
4 Zhongjin Xingqi	3,292,483	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]%
5 Jiaxing Ruijian	2,469,362	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]%
6 Rui'an Jihe	2,140,111	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]%
7 Xinruili No.1	2,050,000	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]%
8 Suzhou Juanyong	2,020,500	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]%
9 Hefei Hetai	2,020,500	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]%
10 Mr. Pan	1,212,300	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]%
11 Ruili No.52	1,212,300	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]%
12 Yihe Axles	1,212,300	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]%
13 Qingte Group	1,212,300	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]%
14 Wenzhou Haisu	987,745	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]%
15 Shanghai Fangu	733,349	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]%
16 Anhui Bohai	658,497	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]%
17 Langfang Guozi	658,497	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]%
18 Shanghai Aotu	646,560	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]%
Total	227,839,787	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]%

As far as we are aware, save for the relevant Shareholders listed above, no other Shareholders currently propose to convert any of their Domestic Unlisted Shares into H Shares.

Note:

(1) Assuming that the [REDACTED] is not exercised.

SHAREHOLDERS’ GENERAL MEETINGS

For details of circumstances under which Shareholders’ general meeting is required, please refer to “Appendix III — Summary of the Articles of Association” to this document.

REGISTRATION OF SHARES NOT LISTED ON AN OVERSEAS STOCK EXCHANGE

Pursuant to the Full-circulation Guidelines, shareholders of the domestic unlisted shares shall complete the share transfer registration procedures in accordance with the relevant business rules of CSDCC. The H-Share Company shall submit a written report on the relevant matters to the CSRC within 15 days upon the completion of the transfer registration of the relevant shares involved in the application with CSDCC.

TRANSFER OF SHARES ISSUED PRIOR TO THE [REDACTED]

In accordance with the PRC Company Law, the shares issued prior to any [REDACTED] of shares by a company cannot be transferred within one year from the date on which such [REDACTED] shares are [REDACTED] and [REDACTED] on the relevant stock exchange. As such, the Shares issued by our Company prior to the [REDACTED] of H Shares will be subject to such statutory restriction on transfer within a period of one year from the [REDACTED].

SHARE CAPITAL

Shares transferred by our Directors and members of senior management each year during their term as determined at the time of appointment shall not exceed 25% of their total respective shareholdings in our Company unless otherwise permitted by the relevant laws and regulations. The Shares that the aforementioned persons hold in our Company cannot be transferred within half a year after they leave their positions as Directors and members of senior management in our Company.

SHAREHOLDERS' APPROVAL FOR THE [REDACTED]

Approval from our Shareholders is required for our Company to [REDACTED] H Shares and apply the [REDACTED] of H Shares on the Stock Exchange. Our Company has obtained such approval at the Shareholders' general meeting held on June 13, 2026.

SUBSTANTIAL SHAREHOLDERS

To the best of the knowledge of our Directors, the following persons will, immediately after the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), have an interest or short position in our Shares or underlying Shares which are required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meetings of our Company:

Shareholder/ Ultimate Shareholder	Nature of Interest	Class of Shares	Number of Shares ⁽¹⁾	Approximate percentage of interest	
				In the relevant class of Shares upon the completion of the [REDACTED] ⁽²⁾	In the total share capital of our Company upon the completion of the [REDACTED] ⁽²⁾
Mr. Zhang ⁽³⁾⁽⁴⁾ . . .	Interest in controlled corporation	H Shares Domestic Unlisted Shares	[REDACTED] [REDACTED]	[REDACTED] % [REDACTED] %	[REDACTED] % [REDACTED] %
Ms. Chi ⁽⁴⁾	Interest of Spouse	H Shares Domestic Unlisted Shares	[REDACTED] [REDACTED]	[REDACTED] % [REDACTED] %	[REDACTED] % [REDACTED] %
Ruili Company ⁽³⁾ . .	Beneficial interest	H Shares Domestic Unlisted Shares	[REDACTED] [REDACTED]	[REDACTED] % [REDACTED] %	[REDACTED] % [REDACTED] %
	Interest in controlled corporation	H Shares Domestic Unlisted Shares	[REDACTED] [REDACTED]	[REDACTED] % [REDACTED] %	[REDACTED] % [REDACTED] %
Ruili Ruiheng ⁽³⁾ . .	Beneficial interest	H Shares Domestic Unlisted Shares	[REDACTED] [REDACTED]	[REDACTED] % [REDACTED] %	[REDACTED] % [REDACTED] %
	Interest in controlled corporation	H Shares Domestic Unlisted Shares	[REDACTED] [REDACTED]	[REDACTED] % [REDACTED] %	[REDACTED] % [REDACTED] %
Xinruili No.1 ⁽³⁾ . . .	Beneficial interest	H Shares Domestic Unlisted Shares	[REDACTED] [REDACTED]	[REDACTED] % [REDACTED] %	[REDACTED] % [REDACTED] %
Ruili Ruichuang ⁽³⁾	Interest in controlled corporation	H Shares Domestic Unlisted Shares	[REDACTED] [REDACTED]	[REDACTED] % [REDACTED] %	[REDACTED] % [REDACTED] %
Ruili No.52 ⁽³⁾	Beneficial interest	H Shares Domestic Unlisted Shares	[REDACTED] [REDACTED]	[REDACTED] % [REDACTED] %	[REDACTED] % [REDACTED] %

Notes:

- (1) “L” denotes long position.
- (2) Assuming the [REDACTED] is not exercised.

SUBSTANTIAL SHAREHOLDERS

- (3) Under the SFO, (a) Mr. Zhang is deemed to be interested in the Shares held by Ruili Company, a company owned as to 82.92% by Mr. Zhang as at the Latest Practicable Date. As Mr. Zhang controlled more than one-third of the voting rights at the general meeting of Ruili Company, he is deemed to be interested in the Shares held by Ruili Company; (b) Ruili Company is deemed to be interested in the Shares held by Ruili Ruiheng and Ruili Ruichuang, both of whom are wholly owned by Ruili Company as at the Latest Practicable Date. As Mr. Zhang controlled more than one-third of the voting rights at the general meeting of both Ruili Ruiheng and Ruili Ruichuang, he is deemed to be interested in the Shares held by Ruili Ruiheng and Ruili Ruichuang; (c) Ruili Ruiheng is deemed to be interested in the Shares held by Xinruili No.1. As at the Latest Practicable Date, Xinruili No.1 is owned as to approximately 0.02% by Ruili Ruiheng as the executive general partner, and no limited partners of Xinruili No.1 contributes more than one-third of the capital therein; and (d) Ruili Ruichuang is deemed to be interested in the Shares held by Ruili No.52. As at the Latest Practicable Date, Ruili No.52 is owned as to approximately 1.67% by Ruili Ruichuang as the executive general partner, and no limited partners of Ruili No.52 contributes more than one-third of the capital therein.
- (4) Mr. Zhang and Ms. Chi are spouses, and each is thus deemed to be interested in the Shares held by the other.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following the [REDACTED], have an interest or short position in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes included in the Accountants’ Report in Appendix I to document. Our consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this document, including but not limited to the sections headed “Risk Factors” and “Business.”

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 in terms of both revenue in 2025 and the 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, flexible service arrangements and cost-efficient solutions to meet wide-ranging demands in the commercial vehicle service market as a platform-based commercial vehicle service provider. Leveraging our nationwide network of operating stores, integrated warehousing and logistics infrastructure, and digital operational capabilities, we directly bridge supply and demand sides, empowering upstream auto parts manufacturers, downstream auto parts service shops, and other industry participants with a full-category one-stop supply chain platform.

During the Track Record Period, despite fluctuations in our revenue, we achieved sustained improvement in profitability. Our revenue increased from RMB2,676.2 million in 2023 to RMB2,715.3 million in 2024, and decreased to RMB2,504.4 million in 2025. Our net profit increased from RMB0.9 million for the year ended December 31, 2023 to RMB42.5 million for the year ended December 31, 2024, and further increased to RMB70.2 million for the year ended December 31, 2025, representing a CAGR of 797.6%, mainly driven by our strategic optimization, operational enhancement, and market deepening during the Track Record Period.

BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong. Our consolidated financial information has been prepared under the historical cost convention, except for financial assets or liabilities at FVTPL and financial assets at FVTOCI which have been measured at fair value.

The preparation of our consolidated financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires our management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to our consolidated financial information, are disclosed in Note 3 to the Accountants’ Report in Appendix I to this document.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

A number of external and internal factors have influenced, and are expected to continue to influence, our financial performance during the Track Record Period and going forward. Key considerations are set out as below.

Industry and Market Demand

Our results of operations and financial condition are affected by industry and market factors impacting the global commercial vehicle service market. These include global and

FINANCIAL INFORMATION

China’s macroeconomic conditions, the growth of the global overall commercial vehicle market, and the development of the commercial vehicle service industry. According to CIC, the global commercial vehicle service market reached RMB3,288.4 billion in 2025, and is expected to reach RMB3,826.4 billion in 2030, representing a CAGR of 3.0%. The commercial vehicle service market in China grew steadily from RMB618.7 billion in 2021 to RMB758.0 billion in 2025, representing a CAGR of 5.2%, and is expected to reach RMB908.5 billion in 2030, representing a CAGR of 3.7%. The demand for commercial vehicle services is continuously driven by the sustained high level of commercial vehicle parc, the aging of fuel vehicles, ongoing upgrades to emission regulations, and the growing demand for refined fleet operation and maintenance. Capitalizing on our industry position, we believe we will continue to benefit from the rising customer demand for quality commercial vehicle services.

Ability to Improve Operational Efficiency

Our consistent improvement in profitability is primarily attributable to our improved operational management capabilities, which has driven a steady increase in our net profit. Our net profit grew significantly from RMB0.9 million in 2023 to RMB42.5 million in 2024, and further rose steadily to RMB70.2 million in 2025. Operational efficiency is a key strategic priority for us and form a core part of our competitive advantage, supporting the sustainable and steady growth of our business.

We exercise prudent control over our operating expenses. During the Track Record Period, our selling and distribution expenses as a percentage of revenue decreased from 11.2% in 2023 to 9.8% in 2024, and further to 7.8% in 2025. As we continue to improve our operational efficiency backed by our supply chain platform, sales network and digital operating infrastructure, we expect our costs and expenses as percentages of revenue to further decline, which is critical to improving our profitability and supporting our long-term growth.

Ability to Expand and Optimize Sales Network

The scale, structure, and efficiency of our sales network are critical to our ability to attract new customers and grow our market share. Domestically, we primarily sell our products through a direct sales approach. As of the Latest Practicable Date, our sales network consisted of 265 operating stores across 30 provincial-level administrative regions in China.

In addition to our sales in China, we have also proactively tapped into overseas markets via a distributorship model. As such, we have established global footprints in approximately 100 countries and regions across the globe. During the Track Record Period, our revenue from overseas market accounted for 37.0%, 35.0% and 35.0%, respectively, of our total revenue for the years ended December 31, 2023, 2024 and 2025.

To further strengthen our sales channels, we plan to continue to expand our sales network. Please refer to “Business — Our Strategies” in this document for further details. We believe that well-established and continuously optimized sales channel will be fundamental to sustaining our growth and strengthening our competitive position in the commercial vehicle services market both in Chinese Mainland and overseas.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies and estimates, which we consider significant in the preparation of our financial statements in accordance with HKFRSs. These material accounting policy information are set forth in Note 2.4 to the Accountants’ Report in Appendix I to this document, which are important for an understanding of our financial condition and results of operations.

Some of our accounting policies involve subjective assumptions, estimates and judgments that are discussed in Note 3 of the Accountants’ Report in Appendix I to this document. The preparation of our financial statements requires our management to make judgment, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

FINANCIAL INFORMATION

Material Accounting Policies

Revenue recognition

Revenue arising from contracts with customers is recognized when control of services or of goods is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those services or goods.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Revenue from the sale of industrial products is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the industrial products.

Some contracts for the sale of our products provide customers with sales rebates, giving rise to variable consideration.

(i) Volume rebates

Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognized.

Share-based payments

Employees (including directors) of the Company receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair values at the dates at which they are granted. The fair value is determined based on the transaction prices observed in third-party transactions during the nearest period, further details are given in Note 31 of the Accountants' Report in Appendix I to this document.

The cost of equity-settled transactions is recognised as employee benefit expenses, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each Relevant Periods until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statements of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

FINANCIAL INFORMATION

Income tax

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

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

Deferred tax is provided, using the liability method, on all temporary differences at the end of the financial year between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax assets relating to the deductible temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at the end of each financial year and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if we have a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

FINANCIAL INFORMATION

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

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

Warehouses, self-operated stores and office premises	1-8 years
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If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are presented separately in the consolidated statement of financial position.

Group as a lessee

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of buildings and motor vehicles (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

FINANCIAL INFORMATION

KEY COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The table below sets forth our consolidated statements of profit or loss with line items in absolute amounts and as percentages of our revenue for the years indicated:

	For the Year Ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Revenue	2,676,164	100.0	2,715,330	100.0	2,504,373	100.0
Cost of sales	(2,233,931)	(83.5)	(2,280,746)	(84.0)	(2,108,836)	(84.2)
Gross profit	442,233	16.5	434,584	16.0	395,537	15.8
Other income and gains	10,133	0.4	24,951	0.9	12,828	0.5
Selling and distribution expenses	(300,111)	(11.2)	(265,830)	(9.8)	(196,142)	(7.8)
Administrative expenses	(125,753)	(4.7)	(130,841)	(4.8)	(117,210)	(4.7)
Research and development expenses	(1,725)	(0.1)	(2,053)	(0.1)	(1,881)	(0.1)
Impairment losses on financial assets, net	(4,972)	(0.2)	(4,272)	(0.2)	(2,726)	(0.1)
Other expenses	(9,206)	(0.3)	(1,105)	(0.0)	(4,779)	(0.2)
Finance costs	(4,803)	(0.2)	(3,765)	(0.1)	(4,230)	(0.2)
Share of profits and losses of joint ventures	(1,409)	(0.1)	4,009	0.1	7,888	0.3
Profit before tax	4,387	0.2	55,678	2.1	89,285	3.6
Income tax expense	(3,516)	(0.1)	(13,165)	(0.5)	(19,103)	(0.8)
Profit for the year	871	0.0	42,513	1.6	70,182	2.8

Revenue

Our revenue increased by 1.5% from RMB2,676.2 million for the year ended December 31, 2023 to RMB2,715.3 million for the year ended December 31, 2024, mainly due to our efforts to proactively explore the domestic market, which lifted our domestic sales. Our revenue decreased by 7.8% from RMB2,715.3 million for the year ended December 31, 2024 to RMB2,504.4 million for the year ended December 31, 2025, primarily attributable to the prevailing global market conditions, which weighed on our overseas sales.

Revenue by types of products

The following table sets forth the breakdown of our revenue by types of products in absolute amounts and as percentages for the years indicated:

	For the Year Ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
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

FINANCIAL INFORMATION

During the Track Record Period, our revenue mix by product category remained generally stable. Leveraging the long-established market reputation, chassis parts consistently stood as our largest revenue contributor, accounting for 63.3%, 63.1% and 61.9%, respectively, of our total revenue for the years ended December 31, 2023, 2024 and 2025. The revenue generated from the sales of chassis parts increased by 1.2% from RMB1,693.0 million for the year ended December 31, 2023 to RMB1,713.4 million for the year ended December 31, 2024, mainly attributable to our in-depth exploration of the domestic market. The revenue generated from the sales of chassis parts decreased by 9.5% from RMB1,713.4 million for the year ended December 31, 2024 to RMB1,550.9 million for the year ended December 31, 2025, primarily driven by the prevailing global market conditions as chassis parts constituted our principal export product category.

Revenue by sales model

The following table sets forth a breakdown of our revenue by sales model in absolute amounts and as percentages for the years indicated:

	For the Year Ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Direct sales						
Domestic direct 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

FINANCIAL INFORMATION

Revenue by geographical markets

The following table sets forth a breakdown of our revenue by geographical markets in absolute amounts and as percentages for the years indicated:

	For the Year Ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
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.

FINANCIAL INFORMATION

Cost of Sales

The following table sets forth a breakdown of our cost of sales by nature for the years indicated.

	For the Year Ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Procurement costs	2,185,978	97.9	2,237,697	98.1	2,071,242	98.2
Freight charges	47,953	2.1	43,049	1.9	37,594	1.8
Total	<u>2,233,931</u>	<u>100.0</u>	<u>2,280,746</u>	<u>100.0</u>	<u>2,108,836</u>	<u>100.0</u>

Gross Profit and Gross Profit Margin

The following table sets forth the breakdown of our gross profit and gross profit margin by product categories for the years indicated:

	For the Year Ended December 31,					
	2023		2024		2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Product categories						
Chassis parts	317,622	18.8	304,996	17.8	263,637	17.0
Universal parts	23,234	5.0	33,555	7.0	39,607	8.8
Gearbox parts	54,721	19.9	52,860	18.6	46,589	18.1
Electrical parts	30,241	19.1	28,873	17.6	31,333	18.7
Engine parts	13,748	20.7	11,605	22.1	11,685	21.2
Body accessories parts	2,667	12.6	2,695	11.2	2,686	12.3
Total	<u>442,233</u>	<u>16.5</u>	<u>434,584</u>	<u>16.0</u>	<u>395,537</u>	<u>15.8</u>

FINANCIAL INFORMATION

Other Income and Gains

Our other income and gains comprise (i) bank interest income; (ii) government grants; (iii) investment income and gains on financial instruments; (iv) foreign exchange gains; (v) gains on early termination of certain lease contracts; (vi) gains on disposal of property, plant and equipment and (vii) others. The following table sets forth a breakdown of our other income and gains for the years indicated:

	For the Year Ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other income			
Bank interest income	7,412	11,020	8,717
Government grants ⁽¹⁾	1,373	1,365	890
Others	780	785	825
Subtotal	9,565	13,170	10,432
Other gains			
Investment income and gains on financial instruments	568	5,322	2,099
Foreign exchange gains	–	6,403	–
Gains on early termination of certain lease contracts	–	–	82
Gains on disposal of property, plant and equipment	–	56	215
Subtotal	568	11,781	2,396
Total	10,133	24,951	12,828

Note:

- (1) Government grants mainly consist of subsidies from local governments to support our operation, with no associated contingent obligations.

Our bank interest income increased from RMB7.4 million in 2023 to RMB11.0 million in 2024, primarily due to fundraising completed in 2023, which boosted surplus cash deployed for long-term certificates of deposit. By contrast, our bank interest income fell to RMB8.7 million in 2025, mainly driven by working capital reallocation, lower surplus cash levels and softer prevailing market interest rates.

Our government grants stood at RMB1.4 million and RMB1.4 million for 2023 and 2024 respectively, remaining largely stable and comprising policy-based subsidies, preferential tax benefits and various incentive awards. Such income declined to RMB0.9 million in 2025, primarily attributable to a drop in the number of eligible employees qualifying for relevant veteran-related preferential policies.

Our investment income and gains on financial instruments mainly derived from foreign exchange hedging. Such investment income rose from RMB0.6 million in 2023 to RMB5.3 million in 2024, and declined to RMB2.1 million in 2025, primarily due to the fluctuations of foreign exchange rates.

FINANCIAL INFORMATION

Our foreign exchange gains amounted to RMB6.4 million in 2024, primarily driven by substantial USD-denominated revenue and favorable movement in the USD/CNY exchange rate.

Selling and Distribution Expenses

Our selling and distribution expenses comprise (i) employee benefit expenses; (ii) freight expenses; (iii) lease expenses and depreciation of right-of-use assets; (iv) advertising and promotion expenses; (v) depreciation and amortization; and (vi) others.

The table below sets forth a breakdown of our selling and distribution expenses both in absolute amount and as a percentage of our total selling and distribution expenses for the years indicated:

	For the Year Ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Employee benefit expenses	156,856	52.3	145,254	54.6	103,065	52.7
Freight expenses	44,148	14.7	41,056	15.4	34,406	17.5
Lease expenses and depreciation of right-of-use assets	53,320	17.8	38,187	14.4	30,866	15.7
Advertising and promotion expenses	11,937	4.0	12,365	4.7	10,094	5.1
Depreciation and amortization	17,323	5.8	14,899	5.6	7,489	3.8
Others	16,527	5.4	14,069	5.3	10,222	5.2
Total	300,111	100.0	265,830	100.0	196,142	100.0

Our employee benefit expenses decreased from RMB156.9 million in 2023 to RMB145.3 million in 2024, and further decreased to RMB103.1 million in 2025, primarily attributable to the optimization of our sales workforce through headcount reduction, which reduced our operating costs and improved overall operational efficiency.

Our freight expenses decreased from RMB44.1 million in 2023 to RMB41.1 million in 2024, and further decreased to RMB34.4 million in 2025, primarily due to the optimization of front-store logistics arrangements, where products are directly delivered from suppliers or central warehouse to store warehouse, thus reducing shipment handling and freight expenses.

Our lease expenses and depreciation of right-of-use assets decreased from RMB53.3 million in 2023 to RMB38.2 million in 2024, and further decreased to RMB30.9 million in 2025, primarily due to optimization of operating stores with store downsizing, and rental reduction due to prevailing rental market conditions.

FINANCIAL INFORMATION

Administrative Expenses

Our administrative expenses consist of (i) employee benefit expenses; (ii) traveling expenses; (iii) depreciation and amortization; (iv) office expenses; (v) software expenses ; (vi) business hospitality expenses; (vii) taxes and surcharges ; and (viii) others.

The table below sets forth a breakdown of our administrative expenses both in absolute amount and as a percentage of our total administrative expenses for the years indicated:

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Employee benefit expenses	98,994	78.7	94,710	72.5	86,624	73.9
Traveling expenses	5,467	4.3	5,856	4.5	5,007	4.3
Depreciation and amortization	2,882	2.3	4,513	3.4	4,176	3.6
Office expenses	3,425	2.7	3,386	2.6	3,997	3.4
Software expenses	2,999	2.4	4,741	3.6	3,889	3.3
Business hospitality expenses	2,045	1.6	2,804	2.1	3,495	3.0
Taxes and surcharges	1,198	1.0	2,663	2.0	1,811	1.5
Others	8,743	7.0	12,168	9.3	8,211	7.0
Total	125,753	100.0	130,841	100.0	117,210	100.0

Our employee benefit expenses, which represent the largest component of our administrative expenses, decreased from RMB99.0 million in 2023 to RMB94.7 million in 2024, and further decreased to RMB86.6 million in 2025, mainly attributable to the workforce optimization and efficiency enhancement initiatives that brought down regular payroll expenses.

Research and Development Expenses

Our research and development expenses mainly represent employee benefit expenses for developing and maintaining our digital operational systems. We recorded research and development expenses of RMB1.7 million, RMB2.1 million and RMB1.9 million, respectively, for the years ended December 31, 2023, 2024 and 2025.

Impairment Losses on Financial Assets, Net

Our impairment losses on financial assets, net primarily represent provision related to trade and bill receivables in accordance with an impairment analysis performed at each reporting date using a provision matrix to measure expected credit losses. We assess impairment losses on financial assets based on a number of factors, including historical credit risk experience, adjusted for forward-looking factors specific to the debtors and the economic environment. We recorded net impairment losses on financial assets of RMB5.0 million, RMB4.3 million and RMB2.7 million, respectively for the years ended December 31, 2023, 2024 and 2025.

FINANCIAL INFORMATION

Other Expenses

Our other expenses primarily consist of exchange losses, losses on disposal of assets and other miscellaneous expenses. During the Track Record Period, we recorded other expenses of RMB9.2 million, RMB1.1 million and RMB4.8 million, respectively, for the years ended December 31, 2023, 2024 and 2025.

Finance Costs

Our finance costs comprise (i) interest on bank loans; (ii) interest on lease liabilities and (iii) interest on redemption liabilities. The following table below sets forth a breakdown of our finance costs both in absolute amount and as percentage of our total finance costs for the years indicated:

	For the Year Ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Interest on bank loans	2,871	59.8	2,261	60.1	3,038	71.8
Interest on lease liabilities	1,932	40.2	1,386	36.8	822	19.4
Interest on redemption liabilities.	–	–	118	3.1	370	8.8
Total	4,803	100.0	3,765	100.0	4,230	100.0

Our interest on bank loans decreased from RMB2.9 million in 2023 to RMB2.3 million in 2024, primarily driven by repayment of maturing debts and lower outstanding borrowings. By contrast, our interest on bank loans increased to RMB3.0 million in 2025, mainly attributable to increased bank loans to meet our general working capital requirements.

Our interest on lease liabilities decreased throughout the Track Record Period, mainly due to our lease portfolio optimization and decrease in lease liabilities.

Share of Profits and Losses of Joint Ventures

We recognized share of losses of joint ventures for RMB1.4 million for the year ended December 31, 2023, and recognized share of profits of joint ventures for RMB4.0 million and RMB7.9 million, respectively, for the years ended December 31, 2024 and 2025, primarily attributable to the financial performance of our joint ventures with public transport enterprises alongside the growth in number of joint ventures. The loss recorded in 2023 was mainly due to the joint ventures being in their ramp-up period.

Income Tax Expenses

Chinese Mainland

Our income tax expenses in Chinese Mainland consist of current and deferred income taxes payable by our subsidiaries in the PRC. For the years ended December 31, 2023, 2024 and 2025, we incurred income tax expenses of RMB3.5 million, RMB13.1 million and RMB19.1 million, respectively, in the PRC. The increase in income tax expenses in the PRC during the Track Record Period was mainly due to steady growth in taxable income.

Pursuant to the PRC EIT Law and its implementation regulations, our subsidiaries operating in the PRC are subject to EIT rate of 25%. However, certain of our PRC subsidiaries are qualified as small and micro enterprises by the relevant tax authorities and were entitled to a preferential EIT rate of 5% for the taxable income during the Track Record Period.

FINANCIAL INFORMATION

Hong Kong

Our income tax expenses in Hong Kong primarily consist of current and deferred income taxes payable by our subsidiary in Hong Kong. For the years ended December 31, 2023, 2024 and 2025, we incurred income tax expenses of RMB1.0 million, RMB0.8 million and RMB0.5 million, respectively, in Hong Kong.

Under the two-tiered profits tax rates regime of Hong Kong profit tax, the first HKD2.0 million of profits of the qualifying group entity will be taxed at a rate of 8.25%, and profits above HKD2.0 million will be taxed at a rate of 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong profits tax of our qualifying group entity is calculated at a rate of 8.25% for the first HKD2.0 million of the estimated assessable profits and at a rate of 16.5% for the estimated assessable profits above HKD2.0 million.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2025 Compared to Year Ended December 31, 2024

Revenue and gross profit

Our revenue decreased by 7.8% from RMB2,715.3 million for the year ended December 31, 2024 to RMB2,504.4 million for the year ended December 31, 2025, primarily due to a decrease in overseas revenue by 8.0% from RMB958.2 million for the year ended December 31, 2024 to RMB882 million for the year ended December 31, 2025, mainly driven by the prevailing global market conditions.

Our gross profit decreased by 9.0% from RMB434.6 million for the year ended December 31, 2024 to RMB395.5 million for the year ended December 31, 2025, which is in line with the decrease in revenue. Our gross profit margin decreased slightly from 16.0% for the year ended December 31, 2024 to 15.8% for the year ended December 31, 2025, mainly due to contracted overseas sales, as export gross margins were higher than those from domestic sales.

Cost of sales

Cost of sales for the year ended December 31, 2025 decreased by 7.5% to RMB2,108.8 million, compared to RMB2,280.7 million for the year ended December 31, 2024, which is in line with the decrease in revenue.

Other income and gains

Other income and gains for the year ended December 31, 2025 was RMB12.8 million, representing a decrease of 48.8% compared to RMB25.0 million for the year ended December 31, 2024. The decrease was primarily due to (i) lower bank interest income; and (ii) foreign exchange gains realized in 2024, as opposed to foreign exchange losses recorded under “other expenses” in 2025.

Selling and distribution expenses

Our selling and distribution expenses decreased by 26.2%, from RMB265.8 million for the year ended December 31, 2024 to RMB196.1 million for the year ended December 31, 2025, primarily due to the optimization of sales workforce through headcount reduction, which reduced our operating costs and improved overall operational efficiency.

Administrative expenses

Our administrative expenses decreased by 10.4% from RMB130.8 million for the year ended December 31, 2024 to RMB117.2 million for the year ended December 31, 2025, primarily due to the workforce optimization and efficiency enhancement initiatives that brought down regular payroll expenses.

FINANCIAL INFORMATION

Research and development expenses

Research and development expenses remained relatively stable at RMB2.1 million for the year ended December 31, 2024 and RMB1.9 million for the year ended December 31, 2025.

Impairment losses on financial assets, net

Our impairment losses on financial assets, net was RMB4.3 million and RMB2.7 million, respectively, for the years ended December 31, 2024 and 2025, primarily due to decrease in impairment losses on trade receivables.

Other expenses

Other expenses increased by 336.4% from RMB1.1 million for the year ended December 31, 2024 to RMB4.8 million for the year ended December 31, 2025, primarily due to an increase in net foreign exchange losses resulting from exchange rate fluctuations.

Finance costs

Our finance costs increased by 10.5% from RMB3.8 million for the year ended December 31, 2024 to RMB4.2 million for the year ended December 31, 2025, mainly attributable to an increase in our bank borrowings, which was partially set off by the optimization of lease arrangements leading to a decrease in lease liabilities.

Share of profits of joint ventures

We recognized share of profits of joint ventures for RMB4.0 million and RMB7.9 million, respectively, for the years ended December 31, 2024 and 2025, primarily reflecting the improved financial performance of our joint ventures with public transport enterprises alongside the growth in number of joint venture.

Income tax expenses

Our income tax expenses increased by 44.7% from RMB13.2 million for the year ended December 31, 2024 to RMB19.1 million for the year ended December 31, 2025, which was in line with the increase in our profit before tax.

Profit for the year

As a result of the foregoing, our profit for the year increased by 65.2% from RMB42.5 million for the year ended December 31, 2024 to RMB70.2 million for the year ended December 31, 2025.

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Revenue and gross profit

Our revenue increased by 1.5% from RMB2,676.2 million for the year ended December 31, 2023 to RMB2,715.3 million for the year ended December 31, 2024, primarily driven by efforts to proactively deepen penetration in the domestic market through the expansion of our joint venture model with local state-owned public transport enterprises.

Our gross profit decreased by 1.7% from RMB442.2 million for the year ended December 31, 2023 to RMB434.6 million for the year ended December 31, 2024. Our gross profit margin slightly decreased from 16.5% for the year ended December 31, 2023 to 16.0% for the year ended December 31, 2024, mainly due to the decline in overseas sales, which generally carry higher gross profit margin, primarily attributable to the prevailing global market conditions.

Cost of sales

Cost of sales for the year ended December 31, 2024 increased by 2.1% to RMB2,280.7 million, compared to RMB2,233.9 million for the year ended December 31, 2023, which is in line with the increase in revenue.

FINANCIAL INFORMATION

Other income and gains

Other income and gains for the year ended December 31, 2024 was RMB25.0 million, representing an increase of 147.5% compared to RMB10.1 million for the year ended December 31, 2023. The increase was primarily due to (i) higher cash surplus deployed for long-term certificates of deposit and short-term bank wealth management products; (ii) investment income derived from foreign exchange swap agreements and forward foreign exchange contract; and (iii) foreign exchange gains arising from favorable USD/CNY exchange rate movements.

Selling and distribution expenses

Our selling and distribution expenses decreased by 11.4%, from RMB300.1 million for the year ended December 31, 2023 to RMB265.8 million for the year ended December 31, 2024, primarily driven by: (i) optimization of operating stores with store downsizing, as well as rental reduction due to prevailing rental market conditions; and (ii) workforce optimization through headcount reduction.

Administrative expenses

Our administrative expenses increased by 4.0% from RMB125.8 million for the year ended December 31, 2023 to RMB130.8 million for the year ended December 31, 2024, primarily due to increased software amortization charges following the go-live of our SAP ERP system.

Research and development expenses

Our research and development expenses remained relatively stable at RMB1.7 million and RMB2.1 million, respectively, for the years ended December 31, 2023 and 2024.

Impairment losses on financial assets, net

Our impairment losses on financial assets, net remained relatively stable at RMB5.0 million and RMB4.3 million, respectively, for the years ended December 31, 2023 and 2024.

Other expenses

Other expenses decreased by 88.0% from RMB9.2 million for the year ended December 31, 2023 to RMB1.1 million for the year ended December 31, 2024, primarily due to the absence of the one-off expenses incurred in 2023, comprising (i) net foreign exchange losses; and (ii) disposal losses on right-to-use assets arising from early termination of certain lease contracts under our strategic adjustment.

Finance costs

Our finance costs decreased by 20.8% from RMB4.8 million for the year ended December 31, 2023 to RMB3.8 million for the year ended December 31, 2024, mainly attributable to (i) our optimization of lease arrangements with fewer stores and warehouses as well as reduced rental expenses amid the prevailing rental market conditions, leading to decrease in lease liabilities; and (ii) our downsizing of bank borrowings and settlement of maturing short-term borrowings.

Share of profits and losses of joint ventures

We recognized share of losses of joint ventures for RMB1.4 million for the year ended December 31, 2023, while we recognized share of profits of joint ventures for RMB4.0 million for the year ended December 31, 2024, mainly due to the joint ventures with public transport enterprises being in their ramp-up period in 2023.

Income tax expense

Our income tax expenses increased from RMB3.5 million for the year ended December 31, 2023 to RMB13.2 million for the year ended December 31, 2024, which was in line with the increase in our profit before tax.

Profit for the year

As a result of the foregoing, our profit for the year increased significantly from RMB0.9 million for the year ended December 31, 2023 to RMB42.5 million for the year ended December 31, 2024.

FINANCIAL INFORMATION

DISCUSSION OF CERTAIN SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets forth a summary of our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of April 30,
	2023	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)
Current assets				
Inventories	482,074	469,380	448,434	439,733
Trade and bills receivables	543,830	517,457	566,612	523,460
Prepayments, other receivables and other assets	74,827	65,522	51,819	61,595
Financial assets at fair value through profit or loss (“FVTPL”) . . .	–	–	60,000	–
Financial assets at fair value through other comprehensive income (“FVTOCI”) . .	23,645	17,574	9,405	8,991
Restricted cash	7,101	7,256	162,650	56,205
Cash and cash equivalents	301,544	371,211	279,519	382,390
Total current assets	1,433,021	1,448,400	1,578,439	1,472,374
Current liabilities				
Trade and bills payables	566,905	609,745	484,488	392,499
Other payables and accruals	113,881	98,770	105,829	85,567
Contract liabilities	37,876	32,285	28,965	33,122
Interest-bearing bank borrowings	47,155	–	30,136	–
Derivative financial instruments	7,521	–	–	–
Lease liabilities	19,394	14,045	9,914	8,772
Tax Payable	2,877	4,347	7,290	396
Total current liabilities . .	795,609	759,192	666,622	520,356
Net current assets	637,412	689,208	911,817	952,018

Our net current assets increased from RMB689.2 million as of December 31, 2024 to RMB911.8 million as of December 31, 2025. Such growth was primarily attributable to: (i) an increase in restricted cash, mainly due to reclassification of RMB150 million long-term deposits maturing in 2026 to current assets; (ii) a decrease in the use of bills payables, mainly due to a portion of bills payables for suppliers matured in 2025; (iii) an increase in financial assets at FVTPL in relation to purchase of bank wealth management products subsequently redeemed in January 2026; and (iv) an increase in trade and bills receivables, mainly due to increased sales to public transport enterprises, which were granted relatively longer credit periods. This was partially offset by a decrease in cash and cash equivalents mainly due to purchase of bank wealth management products.

FINANCIAL INFORMATION

Our net current assets increased from RMB637.4 million as of December 31, 2023 to RMB689.2 million as of December 31, 2024. Such growth was primarily attributable to: (i) an increase in cash and cash equivalents, mainly due to business growth; (ii) repayment of short-term interest-bearing bank borrowings; and (iii) a decrease in other payables and accruals, mainly due to a decrease in SAP ERP cloud maintenance fees as well as payroll and welfare payables arising from workforce optimization. This was partially offset by an increase in trade and bill payables, mainly resulting from expanded use of bills payables in 2024.

Property, Plant and Equipment (“PPE”)

Our PPE consists of (i) leasehold improvements; (ii) plant and machinery; (iii) furniture and fixtures; and (iv) motor vehicles. Depreciation is calculated on the straight-line basis to write off the cost of each item of PPE to its residual value over its estimated useful life.

The table below sets forth a breakdown of our PPE as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Leasehold improvements	67	120	41
Plant and machinery	8,198	9,062	9,104
Furniture and fixtures	5,003	4,036	2,907
Motor vehicles	31,685	17,323	7,834
Total	44,953	30,541	19,886

Our PPE decreased from RMB45.0 million as of December 31, 2023 to RMB30.5 million as of December 31, 2024, and further decreased to RMB19.9 million as of December 31, 2025, primarily due to continuous depreciation of motor vehicles.

Right-of-Use Assets

Our right-of-use assets primarily represent our lease contracts for warehouses and office premises. Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of warehouses and office premises are 1 to 8 years. Our right-of-use assets decreased from RMB47.5 million as December 31, 2023 to RMB32.9 million as of December 31, 2024, and further decreased to RMB23.2 million as of December 31, 2025, mainly attributable to (i) routine depreciation of right-of-use assets; and (ii) a decline in total rental area due to downsizing of stores alongside rental reduction due to prevailing rental market conditions.

Investments in Joint Ventures

Our investments in joint ventures amounted to RMB17.4 million, RMB46.5 million, and RMB68.4 million, respectively, as of December 31, 2023, 2024, and 2025, mainly representing the increase in aggregate carrying amount of our investments in the joint ventures with public transport enterprises during the Track Record Period.

FINANCIAL INFORMATION

Inventories

Our inventories primarily consist of finished goods, goods in transit and raw materials. The following table sets forth the carrying amount of our inventories as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Finished goods	437,580	431,368	392,771
Goods in transit	78,470	66,406	82,456
Raw materials	2,033	1,800	1,078
Write-down of inventories	(36,009)	(30,194)	(27,871)
Total	482,074	469,380	448,434

Our inventories decreased from RMB482.1 million as of December 31, 2023 to RMB469.4 million as of December 31, 2024, and further decreased to RMB448.4 million as of December 31, 2025. The movement was mainly attributable to reduced finished goods balance, driven by ongoing optimization of inventory structure and improved inventory management efficiency.

Aging analysis

The table below sets forth an aging analysis of our inventories as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	477,518	465,758	445,057
1 year to 2 years	4,556	3,622	3,377
2 years to 3 years	–	–	–
Over 3 years	–	–	–
Total	482,074	469,380	448,434

Turnover days

The following table sets forth our inventory turnover days during the Track Record Period:

	For the Year Ended December 31,		
	2023	2024	2025
		<i>days</i>	
Inventory turnover days ⁽¹⁾	92	81	84

Note:

(1) Inventory turnover days are calculated based on the average of the beginning and ending balance of inventories divided by cost of sales for the year, then multiplied by 365 for each year.

Our inventory turnover days remained relatively stable at 92 days, 81 days and 84 days, respectively, for the years ended December 31, 2023, 2024 and 2025.

As of April 30, 2026, approximately RMB249.7 million, or 55.7%, of our inventories as of December 31, 2025, had been sold or utilized.

FINANCIAL INFORMATION

Trade and Bills Receivables

Our trade and bills receivables primarily arise from credit sales of our products. We generally grant a credit period ranging from 30 to 180 days. We seek to maintain strict control over our outstanding receivables and overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

The table below sets forth the breakdown of our trade and bills receivables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	453,008	446,763	501,524
Bills receivables	93,731	77,882	74,530
Provision for impairment	(2,909)	(7,188)	(9,442)
Net carrying amount	543,830	517,457	566,612

Our trade and bills receivables decreased from RMB543.8 million as of December 31, 2023 to RMB517.5 million as of December 31, 2024, primarily due to decreased overseas revenue amid the prevailing global market conditions. Our trade and bills receivables increased from RMB517.5 million as of December 31, 2024 to RMB566.6 million as of December 31, 2025, mainly attributable to expanded collaboration with public transport enterprises, which are granted longer credit periods.

Aging analysis

The table below sets forth an aging analysis of our trade and bills receivables, presented based on the transaction date and net of allowance for expected credit losses as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	521,563	496,669	547,151
1 year to 2 years	22,267	18,144	17,037
2 years to 3 years	–	2,644	2,424
Total	543,830	517,457	566,612

Turnover days

The following table sets forth our trade and bills receivables turnover days for the years indicated:

	For the Year Ended December 31,		
	2023	2024	2025
	<i>days</i>		
Trade and bills receivables turnover days ⁽¹⁾	71	72	80

Note:

(1) Trade and bills receivables turnover days are calculated based on the average of the beginning and ending balance of trade and bills receivables divided by revenue for the year, then multiplied by 365.

FINANCIAL INFORMATION

Our trade and bills receivables turnover days increased from 71 days for the year ended December 31, 2023 to 72 days for the year ended December 31, 2024, and further increased to 80 days for the year ended December 31, 2025, mainly reflecting our expanded partnerships with public transport enterprises on longer credit periods, which are within the permitted credit periods.

As of April 30, 2026, approximately RMB270.4 million, or 47.7%, of our trade and bills receivables as of December 31, 2025, had been subsequently settled.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets primarily consist of (i) prepayments; (ii) valued-added tax recoverable; (iii) export tax refund; (iv) prepaid income tax; (v) deposits; (vi) amounts due from related parties; (vii) right of refund assets; (viii) dividend income from joint venture and (ix) other receivables. The table below sets forth our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments	21,080	19,099	14,043
Value-added tax recoverable	14,107	14,656	3,888
Export tax refund	22,421	14,081	14,413
Prepaid income tax	–	–	36
Deposits	2,366	2,336	4,219
Amounts due from related parties	4,004	6,006	6,006
Right of refund assets	5,525	5,522	5,802
Dividend income from joint venture	–	630	754
Other receivables	5,656	3,382	2,929
Less: impairment allowance	(332)	(190)	(271)
Total	74,827	65,522	51,819

Our prepayments, other receivables and other assets decreased from RMB74.8 million as of December 31, 2023 to RMB65.5 million as of December 31, 2024, mainly attributable to (i) a decreased export tax refund in line with the decline in overseas sales revenue; and (ii) a reduction in prepayments to suppliers reflecting our efforts on prepayment management for suppliers. Our prepayments, other receivables and other assets decreased from RMB65.5 million as of December 31, 2024 to RMB51.8 million as of December 31, 2025, primarily due to (i) a decrease in value-added tax recoverable mainly reflecting our tax deductions for domestic sales at the year end; and (ii) a reduction in prepayments to suppliers.

As of April 30, 2026, approximately RMB40.3 million, or 77.9%, of our prepayments, other receivables and other assets as of December 31, 2025, had been subsequently settled.

Financial Assets at Fair Value through Profit or Loss (“FVTPL”)

Our financial assets at FVTPL mainly represent bank wealth management products. We purchased bank wealth management products with an aggregate principal amount of RMB60.0 million as of December 31, 2025, featuring a daily open trading mechanism with a minimum holding period of only one day before redemption, delivering high liquidity, limited credit risk and low market volatility. Such wealth management products were fully redeemed in January, 2026.

With regards to investment and wealth management activities, we mainly purchase and redeem short-term wealth management products from time to time. We generally favor wealth management products with relatively low risk profiles issued by large, well-established commercial banks with strong credit standing to minimize counterparty risk and safeguard the security of our funds.

FINANCIAL INFORMATION

We have formulated our Capital Management Measures (《資金管理辦法》) to strengthen supervision over capital receipts and payments, accelerate capital turnover and enhance capital utilization efficiency, including, among others: (i) our CFO is responsible for assessing working capital sufficiency and determining whether to conduct investment and wealth management activities; (ii) financial staff analyzes bank wealth managements products in light of our operational and capital conditions. Such plan shall specify the intended product category, investment amount, tenure and interest rate; (iii) financial staff launches contract-signing procedures for wealth management products, which requires approvals from CFO, legal specialist and general manager; and (iv) finance and accounting personnel maintain standardized accounting treatment for such products.

Financial Assets at Fair Value Through Other Comprehensive Income (“FVTOCI”)

We recorded financial assets at FVTOCI of RMB23.6 million, RMB17.5 million and RMB9.4 million, respectively, as of December 31, 2023, 2024, and 2025. It mainly represented the reputable bank bills received from our customers in the ordinary course of sales and settlement.

Trade and Bills Payables

Our trade and bills payables represent the amount payable to our suppliers for product procurement. Our suppliers generally provide a credit term within 90 days. The table below sets forth the breakdown of our trade and bills payables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	436,417	359,861	357,696
Bills payables	130,488	249,884	126,792
Total	566,905	609,745	484,488

Our trade and bills payables increased from RMB566.9 million as of December 31, 2023 to RMB609.7 million as of December 31, 2024, and then decreased to RMB484.5 million as of December 31, 2025. The movements were attributable to expanded use of bills payable to settle amounts due to suppliers in 2024, which matured in 2025.

Aging analysis

The table below sets forth an aging analysis of our trade and bills payables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	566,905	609,745	484,488
Total	566,905	609,745	484,488

FINANCIAL INFORMATION

Turnover days

The following table sets forth our trade and bills payables turnover days during the Track Record Period:

	For the Year Ended December 31,		
	2023	2024	2025
	<i>days</i>		
Trade and bills payables turnover days ⁽¹⁾	96	94	95

Note:

(1) Trade and bills payables turnover days is calculated based on the average of the beginning and ending balance of trade and bills payables divided by cost of sales for the year, then multiplied by 365.

Our trade and bills payable turnover days remained relatively stable at 96 days, 94 days and 95 days, respectively, for the years ended December 31, 2023, 2024 and 2025.

As of April 30, 2026, approximately RMB197.6 million, or 40.8%, of our trade and bills payables as of December 31, 2025, had been subsequently settled.

Other Payables and Accruals

Our other payables and accruals consist of (i) other payables, which represent third-party service fees, amounts due for purchases, research and development expenses, and freight expenses; (ii) amounts due to related parties; (iii) payables for purchase of property, plant and equipment; (iv) payroll and welfare payables; (v) provision for warranties; (vi) volume rebates; (vii) liabilities relating to redemption rights held by NCI; and (viii) other tax payable. The following table sets forth a breakdown of our other payables and accruals as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other payables and accruals	24,740	23,968	26,643
Amounts due to related parties . . .	20,780	9,938	13,916
Payables for purchase of property, plant and equipment	152	121	221
Payroll and welfare payables	60,603	50,061	48,177
Provision for warranties	1,107	1,294	953
Volume rebates	479	374	1,286
Liabilities relating to redemption right held by NCI	–	8,533	9,924
Other tax payables	6,020	4,481	4,709
Total	113,881	98,770	105,829

Our other payables and accruals decreased from RMB113.9 million as of December 31, 2023 to RMB98.8 million as of December 31, 2024, primarily due to (i) larger amount expenses of SAP ERP and cloud maintenance fees in 2023; along with (ii) a decrease in payroll and welfare payables arising from workforce optimization. Our other payables and accruals increased from RMB98.8 million as of December 31, 2024 to RMB105.8 million as of December 31, 2025, mainly attributable to growing demand for software maintenance services to support business development.

As of April 30, 2026, approximately RMB87.5 million, or 82.7%, of our other payables and accruals as of December 31, 2025, had been subsequently settled.

FINANCIAL INFORMATION

Contract Liabilities

Our contract liabilities primarily consist of advance payments from customers and unfulfilled performance obligations. Our contract liabilities decreased from RMB37.9 million as of December 31, 2023 to RMB32.3 million as of December 31, 2024, and further decreased to RMB29.0 million as of December 31, 2025, primarily driven by a decrease in overseas revenue amid the prevailing global market conditions.

As of April 30, 2026, approximately RMB22.9 million, or 78.9%, of our contract liabilities as of December 31, 2025, had been subsequently settled.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our operations primarily through cash generated from operating activities, bank borrowings and capital contributions from our Shareholders. Going forward, we believe that our liquidity requirements will be satisfied with a combination of cash flows generated from our operating activities, bank borrowings and [REDACTED] from the [REDACTED] and other funds that may be raised from the [REDACTED] from time to time.

Working Capital Statement

Our Directors confirm that taking into account the financial resources presently available to our Group, including our internal resources, cash flow from our operations, availability of banking facilities, and the estimated net [REDACTED] of the [REDACTED], our Group has sufficient working capital for our present requirements for at least the next 12 months from the date of this document.

Cash Flows

The following table sets out a summary of our cash flows for the years indicated:

	For the Year Ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flows from/(used in)			
operating activities	106,695	159,127	(23,149)
Net cash flows used in investing			
activities	(155,730)	(37,237)	(67,662)
Net cash flows from/(used in)			
financing activities	191,799	(58,879)	1,997
Net increase/(decrease) in cash			
and cash equivalents	142,764	63,011	(88,814)
Cash and cash equivalents at			
beginning of year	164,369	301,544	371,211
Effect of foreign exchange rate			
changes, net	(5,589)	6,656	(2,878)
Cash and cash equivalents			
at end of year	301,544	371,211	279,519

Net cash flows from/(used in) operating activities

For the year ended December 31, 2025, our net cash flows used in operating activities was RMB23.1 million, primarily attributable to profit before tax of RMB89.3 million, adjusted for (i) depreciation of right-of-use assets of RMB27.7 million; and (ii) depreciation of property, plant and equipment of RMB12.2 million. These adjustments were partially offset by (i) bank interest income of RMB8.7 million; and (ii) share of profits or losses of joint ventures of RMB7.9 million. Working capital movements included (i) a decrease in trade

FINANCIAL INFORMATION

payables of RMB125.3 million; (ii) an increase in trade and bills receivables of RMB51.8 million; and (iii) a decrease in inventories of RMB23.3 million. We recorded RMB16.5 million in income tax paid in 2025. The decrease in net operating cash inflow compared to 2024 primarily reflected the settlement of historical payables.

For the year ended December 31, 2024, our net cash flows from operating activities was RMB159.1 million, primarily attributable to profit before tax of RMB55.7 million, as adjusted by (i) depreciation of right-of-use assets of RMB37.3 million; and (ii) depreciation of property, plant and equipment of RMB20.2 million. Partially offset by (i) bank interest income of RMB11.0 million; and (ii) foreign exchange differences, net of RMB6.4 million. Working capital movements included (i) an increase in trade payables of RMB42.8 million; (ii) a decrease in other payables and accruals of RMB23.6 million; (iii) a decrease in trade and bills receivables of RMB21.0 million; and (iv) a decrease in inventories of RMB18.5 million. We recorded RMB10.2 million in income tax paid in 2024. The increase in net operating cash inflow compared to 2023 was mainly due to decrease in overseas revenue, resulting in lower trade and bills receivables.

For the year ended December 31, 2023, our net cash flows from operating activities was RMB106.7 million, primarily attributable to profit before tax of RMB4.4 million, as adjusted by (i) depreciation of right-of-use assets of RMB38.2 million; (ii) depreciation of property, plant and equipment of RMB20.5 million; and (iii) impairment of inventories of RMB12.5 million. Partially offset by bank interest income of RMB7.4 million. Working capital movements included (i) an increase in trade and bills receivables of RMB63.4 million; (ii) an increase in restricted cash-operating, of RMB8.7 million; (iii) a decrease in inventories of RMB90.0 million; and (iv) a decrease in trade payables of RMB35.9 million. We recorded RMB11.8 million in income tax paid in 2023. The operating cash inflow was mainly attributable to proceeds from sales of inventories.

Net cash flows used in investing activities

For the year ended December 31, 2025, net cash used in investment activities was RMB67.7 million. This primarily reflected (i) purchase of financial assets at fair value through profit and loss of RMB110.0 million; (ii) capital injection in joint ventures of RMB16.5 million, and (iii) purchases of items of property, plant and equipment of RMB1.7 million, partially offset by (i) proceeds from disposal of items of property, plant and equipment of RMB1.0 million; (ii) settlement of forward foreign exchange contracts of RMB2.1 million; (iii) dividend income from joint ventures of RMB2.0 million; (iv) proceeds from disposal of financial assets at fair value through profit or loss of RMB50.0 million; and (v) increase in restricted cash-investing of RMB5.8 million.

For the year ended December 31, 2024, net cash used in investing activities amounted to RMB37.2 million. This mainly reflected (i) capital injection in joint ventures of RMB25.7 million; (ii) purchases of items of property, plant and equipment of RMB6.0 million; (iii) purchases of intangible assets of RMB1.6 million; (iv) settlement of forward foreign exchange contracts of RMB2.2 million; and (v) loans granted to a related party of RMB2.0 million.

For the year ended December 31, 2023, net cash used in investing activities was RMB155.7 million. This primarily reflected (i) proceeds from time deposits with original maturity of more than three months when acquired of RMB150.0 million; and (ii) capital injection in joint ventures of RMB6.1 million.

Net cash flows from/(used in) financing activities

For the year ended December 31, 2025, net cash flows from financing activities was RMB2.0 million. This was primarily due to proceeds from interest-bearing bank borrowings of RMB270.0 million, partially offset by repayment of interest-bearing bank borrowings of RMB240.0 million. The simultaneous co-occurrence of large borrowings and repayment reflected short-term liquidity arrangements aimed at bridging working capital needs during a transitional phase of business growth. Interest payments totaled RMB2.9 million.

For the year ended December 31, 2024, net cash flows used in financing activities was RMB58.9 million. This was mainly attributable to (i) repayment of interest-bearing bank borrowings of RMB45.5 million; and (ii) principal portion of lease payments of RMB35.2 million, partially offset by capital injection from investors of RMB20.0 million. Interest payments totaled RMB2.9 million.

FINANCIAL INFORMATION

For the year ended December 31, 2023, net cash flows from financing activities was RMB191.8 million. This was primarily due to (i) capital injection from investors of RMB345.0 million; and (ii) proceeds from interest-bearing bank borrowings of RMB118.9 million, partially offset by repayment of interest-bank borrowings of RMB228.1 million. Interest payments totaled RMB2.3 million.

INDEBTEDNESS

Except as disclosed in the table below, we did not have any material mortgaged, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of April 30, 2026, being the most recent practicable date for determining our indebtedness. After due and careful consideration, our Directors confirm that there had been no material change in our indebtedness since April 30, 2026 and up to the date of this document.

The table below sets forth our indebtedness as of the dates indicated:

	As of December 31,			As of
	2023	2024	2025	April 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2026
				<i>RMB'000</i> <i>(Unaudited)</i>
Current				
Interest-bearing bank borrowings	47,155	–	30,136	–
Lease liabilities	19,394	14,045	9,914	8,772
Subtotal	66,549	14,045	40,050	8,772
Non-current				
Lease liabilities	16,912	9,886	5,071	2,825
Subtotal	16,912	9,886	5,071	2,825
Total	83,461	23,931	45,121	11,597

Interest-Bearing Bank Borrowings

Our historical interest-bearing bank borrowings were primarily used for business operations. The fluctuations in our bank borrowings at the year end were primarily due to the changes in financial needs in light of our operating activities and cash flow planning. For more details of our interest-bearing bank borrowings, see Note 28 to the Accountants’ Report in Appendix I to this document.

As of the Latest Practicable Date, we had unutilized bank facilities of RMB19.9 million.

Our Directors confirm that we have not defaulted in the repayment of the bank and other borrowings during the Track Record Period. Our Directors have confirmed that, as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenants during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, we did not experience any difficulty in obtaining bank borrowings.

FINANCIAL INFORMATION

Lease Liabilities

Our lease liabilities were mainly in relation to the properties that we lease for our offices and stores. As of December 31, 2023, 2024 and 2025 and April 30, 2026, we had total lease liabilities of RMB36.3 million, RMB23.9 million, RMB15.0 million, and RMB11.6 million, respectively. The decrease in our lease liabilities during the Track Record Period was in line with our optimization of operating stores with store downsizing, and rental reduction due to prevailing rental market conditions. For more details of our lease liabilities, see Note 15 to the Accountants’ Report in Appendix I to this document.

CAPITAL EXPENDITURES

During the Track Record Period, we incurred capital expenditure for purchases of items of property, plant and equipment and purchases of intangible assets. Such capital expenditures were primarily funded by our internal financial resources including cash generated from operations and bank borrowings. We expect to finance our planned capital expenditure primarily with our existing cash as well as net [REDACTED] from the [REDACTED]. Please refer to “Future Plans and Use of [REDACTED]” in this document. We may adjust our capital expenditure for any given period according to our development plans or in light of market conditions and other factors we believe to be appropriate. For the year ended December 31, 2023, 2024 and 2025, we incurred capital expenditures of RMB8.9 million, RMB7.6 million and RMB2.3 million, respectively.

CAPITAL COMMITMENTS

Capital commitments represent capital expenditure contracted for as at a particular date but not yet incurred. As of December 31, 2023, 2024 and 2025, our capital commitments amounted to RMB62.7 million, RMB85.5 million and RMB106.1 million, respectively.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. For details of our related party transactions, see Note 35 to the Accountant’s Report included in Appendix I to this document.

Our Directors believe that our transactions with the related parties during the Track Record Period were conducted in the normal course of business and on an arm’s length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

CONTINGENT LIABILITIES

We did not have any contingent liabilities as of the Latest Practicable Date.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any material off-balance sheet transactions.

KEY FINANCIAL RATIOS

	For the Year Ended/As of December 31,		
	2023	2024	2025
Net profit margin ⁽¹⁾	0.0%	1.6%	2.8%
Return on equity ⁽²⁾	0.1%	4.4%	6.8%
Current ratio ⁽³⁾	1.8	1.9	2.4
Quick ratio ⁽⁴⁾	1.2	1.3	1.7

Notes:

- (1) Net profit margin is calculated based on the net profit for each reporting year divided by the total revenue for each reporting year and multiplied by 100%.
- (2) Return on equity is calculated based on the net profit for each reporting year divided by the total equity as at the end of each reporting year and multiplied by 100%.

FINANCIAL INFORMATION

- (3) Current ratio is calculated based on total current assets divided by the total current liabilities as at the end of each reporting year.
- (4) Quick ratio is calculated based on our total current assets excluding inventories divided by the total current liabilities as at the end of each reporting year.

FINANCIAL RISK MANAGEMENT AND POLICIES

Our principal financial instruments comprise financial investments at fair value through profit or loss, cash and cash equivalents and interest-bearing bank borrowings. We have various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from our operations. The main risks arising from our financial instruments are credit risk and liquidity risk. For more details, see Note 39 to the Accountants’ Report in Appendix I to this document. Our management reviews and agrees policies for managing each of these risks and they are summarized below.

Foreign Currency Risk

We operate business both within and outside Chinese Mainland, with nearly all overseas operation transaction settled in USD. We are exposed to foreign currency risk with respect to the bank balances and receivables denominated in USD and EUR.

Credit Risk

We trade only with recognized and credit worthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant.

Liquidity Risk

We monitor and maintain a level of cash and cash equivalent deemed adequate by our management to finance the operations and mitigate the effects of fluctuations of cash flows.

DIVIDEND

No dividend had been paid or declared by our Company during the Track Record Period. There is no assurance that dividends of any amount will be declared or distributed in any year. Although currently we do not have a formal dividend policy or a fixed dividend distribution ratio, our Board may declare dividends in the future after taking into account various factors, including our future earnings and cash inflows, future plan for use of funds, long-term development of our business, statutory reserves, discretionary common reserve funds, legal and regulatory restrictions, and other factors which our Directors consider relevant. Distribution of dividends will be decided by our Board at their discretion and will be subject to Shareholders’ approval. In addition, our dividend policy will also be subject to our Articles of Association, the PRC Company Law and any other applicable PRC laws and regulations.

DISTRIBUTABLE RESERVES

As of December 31, 2025, our distributable reserves amounted to approximately RMB26.9 million.

UNAUDITED [REDACTED] ADJUSTED NET TANGIBLE ASSETS

For more details, please refer to “Unaudited [REDACTED] Financial Information” included in Appendix II to this document.

FINANCIAL INFORMATION

[REDACTED] EXPENSES

The total estimated [REDACTED] expenses in connection with the [REDACTED] are approximately RMB[REDACTED] (equivalent to approximately HK\$[REDACTED]), representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED], assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED]) and the [REDACTED] is not exercised, and of which approximately RMB[REDACTED] million is directly attributable to the [REDACTED] of the [REDACTED] which is expected to be accounted for as a deduction from equity upon the [REDACTED] in accordance with relevant accounting standards. The remaining estimated [REDACTED] expenses amount to approximately RMB[REDACTED], which is expected to be recognized as expenses. Such total estimated [REDACTED] expenses include (i) [REDACTED] expenses of RMB[REDACTED]; (ii) fees and expenses of legal advisers and reporting accountant of RMB[REDACTED]; and (iii) other fees and expenses of RMB[REDACTED].

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that up to the date of this document, save as disclosed in this document, there has been no material adverse change in our financial, operational or trading positions or prospects since December 31, 2025, being the end of the period reported on as set out in the Accountants’ Report included in Appendix I to this document.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE HONG KONG LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND [REDACTED]

FUTURE PLANS

Please refer to the section headed “Business — Strategies” in this document for a detailed discussion of our future plans.

USE OF [REDACTED]

Assuming an [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the indicative [REDACTED]), we estimate that we will receive net [REDACTED] of approximately HK\$[REDACTED] from the [REDACTED] after deducting the [REDACTED] commissions and other estimated expenses in connection with the [REDACTED], and assuming the [REDACTED] is not exercised.

In alignment with our strategies and development plans, we intend to allocate the [REDACTED] for the following purposes:

Building Out the Integrated Supply Chain Platform

We intend to allocate approximately [REDACTED]% of the [REDACTED] (equivalent to HK\$[REDACTED]) to further develop our integrated supply chain platform, with a particular focus on the public transport and passenger vehicle sectors. By establishing joint ventures with enterprises that have already accumulated stable customer bases in these fields, we aim to deepen market penetration in selected local markets and foster mutual empowering partnerships. By integrating our supply chain capabilities with their established local networks and customer reach, we expect to capture greater economies of scale and dilutes marginal costs.

Approximately [REDACTED]% of the [REDACTED] (equivalent to HK\$[REDACTED]) will be used to establish joint ventures with public transport enterprises. Specifically, the [REDACTED] will be used in incorporation-related outlays, recruitment and training of key personnel, and recurring legal compliance expenditures. Through these partnerships, we aim to capture core key industry customers and secure steady large-volume orders.

The remaining [REDACTED]% of the [REDACTED] (equivalent to HK\$[REDACTED]) will be allocated towards the establishment of joint ventures with influential enterprises in the passenger vehicle service market. Specifically, the net [REDACTED] will be used to cover initial outlays and recurring expenses of the joint ventures. Through these partnerships, we aim to deepen our foothold in the passenger vehicle service market and leverage our integrated supply chain platform to capture tangible economies of scale.

Development of Global Sales and Service Network

We intend to allocate approximately [REDACTED]% of the [REDACTED] (equivalent to HK\$[REDACTED] million) to the development of our global sales and service network, in order to strengthen our brand presence, enhance customer engagement and reinforce distribution capabilities across overseas markets. These efforts will support our commercial strategy of expanding market penetration, improving service responsiveness and building a resilient go-to-market infrastructure for our products.

Approximately [REDACTED]% of the [REDACTED] (equivalent to HK\$[REDACTED]) will be allocated to expand supporting sales resources globally to sustain high-quality customized services. We also plan to further build our global brand recognition via international exhibitions, forums and targeted customer campaigns. Additionally, we will develop a high-tier overseas distribution network by partnering with reputable local distributors and upskilling existing channel partners through regular joint marketing and exchange events to expand our market reach.

The remaining [REDACTED]% of the [REDACTED] (equivalent to HK\$[REDACTED]) will be used to expand our overseas warehousing network. Specifically, [REDACTED] will be allocated to the leasing of suitable properties, the acquisition of supporting equipment and management systems, as well as the recruitment of staff. Through this initiative, we aim to ensure efficient logistics management, reduced lead times, and improved service capabilities in key international markets.

FUTURE PLANS AND [REDACTED]

Enhancement of Digital Operating Infrastructure

We intend to allocate approximately [REDACTED]% of the [REDACTED] from the [REDACTED] (equivalent to HK\$[REDACTED]) to enhance our digital operating infrastructure. We will invest in our digital operating system integration and upgrades, revamping our core management platforms to boost efficiency, scalability and customer experience.

We will allocate approximately [REDACTED]% of the [REDACTED] from the [REDACTED] (equivalent to HK\$[REDACTED]) to upgrading our SAP ERP system, Ruilibao (瑞立寶) CRM platform and Chanxiaobao (產銷寶) SRM platform. Through these upgrades, we strive to streamline internal operations, improve data accuracy, and enable more effective decision-making across departments.

We will allocate a further [REDACTED]% of the [REDACTED] from the [REDACTED] (equivalent to HK\$[REDACTED]) towards the further integration of WMS and TMS with our SAP ERP system. This initiative aims to ensure seamless integration across various aspects of our business, from production and logistics to sales and customer service.

In addition to system upgrades, we will allocate [REDACTED]% of the [REDACTED] from the [REDACTED] (equivalent to HK\$[REDACTED]) to the development of an AI marketing agent and a logistics route optimization model. To facilitate this, we will invest in Data Middle Platforms and High-Performance Computing Servers offered by world-class providers.

The remaining [REDACTED]% of the [REDACTED] from the [REDACTED] (equivalent to HK\$[REDACTED]) will be extended to the recruitment of technical personnel. Specifically, we plan to open up AI-related positions, including product managers, data engineers and research and development personnel. By leveraging AI-driven optimizations within our digital infrastructure, we aim to maximize the value of our existing digital assets and strengthen our long-term technological competitiveness.

Strengthening of Domestic Logistics Network

We intend to allocate approximately [REDACTED]% of the [REDACTED] from the [REDACTED] (equivalent to HK\$[REDACTED]) to further strengthening our domestic logistics network and enhancing the reliability, flexibility and eco-friendliness of our logistics infrastructure.

This initiative is designed to renew worn delivery vehicles and expand our vehicle pool to cater to projected business growth. By rolling out new energy vehicles across regions as needed, we aim to further strengthen our logistics capacity to sustain current sales growth and enable future business expansion.

Working Capital and General Corporate Purposes

Approximately [REDACTED]% of the [REDACTED] from the [REDACTED] (equivalent to HK\$[REDACTED]) will be reserved for general working capital and operational flexibility, allowing us to respond to strategic opportunities and unforeseen market shifts in a timely and prudent manner.

In the event that the designated [REDACTED] are insufficient to fully fund the aforementioned purposes, we intend to utilize internal resources or equity debt financing to address any shortfalls. Conversely, should there be surplus funds, these will be applied toward other projects consistent with our strategic objectives.

In the event that the [REDACTED] is fixed below or above the mid-point of the indicative [REDACTED], the [REDACTED] allocated to the above purposes will be adjusted on a pro rata basis. Any additional [REDACTED] received from the exercise of the [REDACTED] will be allocated to the above purposes on a pro rata basis.

In the event of any material change in our use of [REDACTED] of the [REDACTED] from the purposes described above or in our allocation of the [REDACTED] among the purposes described above, a formal announcement will be made.

FUTURE PLANS AND [REDACTED]

To the extent that the [REDACTED] from the [REDACTED] are not immediately applied to the above purposes, we will only deposit such [REDACTED] into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the SFO or applicable laws and regulations in other jurisdictions).

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

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STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

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HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report, prepared for inclusion in this document, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

[To insert the firm’s letterhead]

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ZHEJIANG NEW SORL AUTO PARTS CO., LTD. AND ABCI CAPITAL LIMITED

Introduction

We report on the historical financial information of Zhejiang New SORL Auto Parts Co., Ltd. (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages [●] to [●], which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2023, 2024 and 2025 (the “**Relevant Periods**”) and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2023, 2024 and 2025 and material accounting policy information and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages [●] to [●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the “**Document**”) in connection with the [REDACTED] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

APPENDIX I

ACCOUNTANTS' REPORT

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2023, 2024 and 2025 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

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

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [●] have been made.

Dividends

We refer to note 12 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

[●]

Certified Public Accountants

Hong Kong

[Date]

APPENDIX I

ACCOUNTANTS’ REPORT

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) (the “**Underlying Financial Statements**”).

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

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	<i>Notes</i>	Year ended 31 December		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue	5	2,676,164	2,715,330	2,504,373
Cost of sales		(2,233,931)	(2,280,746)	(2,108,836)
Gross profit		442,233	434,584	395,537
Other income and gains	6	10,133	24,951	12,828
Selling and distribution expenses		(300,111)	(265,830)	(196,142)
Administrative expenses		(125,753)	(130,841)	(117,210)
Research and development expenses		(1,725)	(2,053)	(1,881)
Impairment losses on financial assets, net		(4,972)	(4,272)	(2,726)
Other expenses		(9,206)	(1,105)	(4,779)
Finance costs	7	(4,803)	(3,765)	(4,230)
Share of profits and losses of joint ventures		(1,409)	4,009	7,888
PROFIT BEFORE TAX	8	4,387	55,678	89,285
Income tax expenses	11	(3,516)	(13,165)	(19,103)
PROFIT FOR THE YEAR		871	42,513	70,182
Attributable to:				
Owners of the parent		996	42,598	69,561
Non-controlling interests		(125)	(85)	621
Total		871	42,513	70,182
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic and diluted (RMB)	13	0.00	0.19	0.31

For the details of [REDACTED] investments, please refer to note 30 to the Historical Financial Information.

APPENDIX I

ACCOUNTANTS' REPORT

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
PROFIT FOR THE YEAR	871	42,513	70,182
OTHER COMPREHENSIVE INCOME			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	(33)	229	(407)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	(33)	229	(407)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	838	42,742	69,775
Attributable to:			
Owners of the parent	963	42,827	69,154
Non-controlling interests	(125)	(85)	621
Total	838	42,742	69,775

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 December		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
NON-CURRENT ASSETS				
Property, plant and equipment	<i>14</i>	44,953	30,541	19,886
Right-of-use assets	<i>15</i>	47,513	32,886	23,198
Intangible assets	<i>16</i>	7,280	6,469	8,902
Investments in joint ventures	<i>17</i>	17,419	46,478	68,404
Deferred tax assets	<i>29</i>	10,202	8,681	8,974
Prepayments	<i>18</i>	1,672	3,265	429
Restricted cash	<i>24</i>	152,969	156,757	–
Total non-current assets		282,008	285,077	129,793
CURRENT ASSETS				
Inventories	<i>19</i>	482,074	469,380	448,434
Trade and bills receivables	<i>20</i>	543,830	517,457	566,612
Prepayments, other receivables, and other assets	<i>21</i>	74,827	65,522	51,819
Financial assets at fair value through profit or loss (“FVTPL”)	<i>22</i>	–	–	60,000
Financial assets at fair value through other comprehensive income (“FVTOCI”)	<i>23</i>	23,645	17,574	9,405
Restricted cash	<i>24</i>	7,101	7,256	162,650
Cash and cash equivalents	<i>24</i>	301,544	371,211	279,519
Total current assets		1,433,021	1,448,400	1,578,439
CURRENT LIABILITIES				
Trade and bills payables	<i>25</i>	566,905	609,745	484,488
Other payables and accruals	<i>26</i>	113,881	98,770	105,829
Contract liabilities	<i>27</i>	37,876	32,285	28,965
Interest-bearing bank borrowings	<i>28</i>	47,155	–	30,136
Derivative financial instruments		7,521	–	–
Lease liabilities	<i>15</i>	19,394	14,045	9,914
Tax payable		2,877	4,347	7,290
Total current liabilities		795,609	759,192	666,622
NET CURRENT ASSETS		637,412	689,208	911,817
TOTAL ASSETS LESS CURRENT LIABILITIES		919,420	974,285	1,041,610

APPENDIX I

ACCOUNTANTS’ REPORT

	<i>Notes</i>	As at 31 December		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
NON-CURRENT LIABILITIES				
Lease liabilities	15	16,912	9,886	5,071
Total non-current liabilities . .		16,912	9,886	5,071
Net assets		902,508	964,399	1,036,539
EQUITY				
Equity attributable to owners of the parent				
Paid-in capital	30	112,685	113,014	113,014
Reserves	32	787,485	843,007	911,910
Total equity attributable to owners of the parent		900,170	956,021	1,024,924
Non-controlling interests (“NCI”)		2,338	8,378	11,615
Total equity		902,508	964,399	1,036,539

For the details of [REDACTED] investments, please refer to Note 30 to the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to ordinary equity holders of the parent						Non-controlling interests	Total equity
	Paid-in capital	Capital reserve*	Share-based payment reserve*	Exchange fluctuation reserve*	Accumulated losses*	Total		
	RMB'000 (Note 30)	RMB'000 (Note 32)	RMB'000 (Note 31)	RMB'000 (Note 32)	RMB'000	RMB'000		
At 1 January 2023	107,006	530,874	1,828	210	(84,214)	555,704	168	555,872
Profit/(loss) for the year	-	-	-	-	996	996	(125)	871
Other comprehensive loss for the year:								
Exchange differences on translation of foreign operations	-	-	-	(33)	-	(33)	-	(33)
Total comprehensive (loss)/income for the year	-	-	-	(33)	996	963	(125)	838
Share-based payments	-	-	1,099	-	-	1,099	-	1,099
Capital injection (Note 30)	5,679	337,670	-	-	-	343,349	-	343,349
Business combination involving an entity under common control (Note)	-	(880)	-	-	-	(880)	-	(880)
Acquisition of non-controlling interests	-	(65)	-	-	-	(65)	(155)	(220)
Capital contribution from non-controlling equity holders	-	-	-	-	-	-	2,450	2,450
At 31 December 2023	112,685	867,599	2,927	177	(83,218)	900,170	2,338	902,508

Note: In November 2023, the Company acquired a 80% interest from its then shareholder that under common control. The purchase consideration for the acquisition was in the form of cash of RMB880,000.

APPENDIX I

ACCOUNTANTS’ REPORT

Year ended 31 December 2024

	Attributable to ordinary equity holders of the parent					Total	Non-controlling interests	Total equity
	Paid-in capital	Capital reserve*	Share-based payment reserve*	Exchange fluctuation reserve*	Accumulated losses*			
	<i>RMB'000</i> <i>(Note 30)</i>	<i>RMB'000</i> <i>(Note 32)</i>	<i>RMB'000</i> <i>(Note 31)</i>	<i>RMB'000</i> <i>(Note 32)</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2024	112,685	867,599	2,927	177	(83,218)	900,170	2,338	902,508
Profit/(loss) for the year	-	-	-	-	42,598	42,598	(85)	42,513
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations	-	-	-	229	-	229	-	229
Total comprehensive income/(loss) for the year	-	-	-	229	42,598	42,827	(85)	42,742
Share-based payments	-	-	1,439	-	-	1,439	-	1,439
Capital injection from investors <i>(Note 30)</i>	329	19,671	-	-	-	20,000	-	20,000
Capital contribution from non-controlling equity holders	-	(8,415)	-	-	-	(8,415)	6,125	(2,290)
At 31 December 2024	<u>113,014</u>	<u>878,855</u>	<u>4,366</u>	<u>406</u>	<u>(40,620)</u>	<u>956,021</u>	<u>8,378</u>	<u>964,399</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Year ended 31 December 2025

	Attributable to ordinary equity holders of the parent						Total	Non-controlling interests	Total equity
	Paid-in capital	Capital reserve*	Share-based payment reserve*	Statutory reserve*	Exchange fluctuation reserve*	Accumulated losses*			
	RMB'000 (Note 30)	RMB'000 (Note 32)	RMB'000 (Note 31)	RMB'000 (Note 32)	RMB'000 (Note 32)	RMB'000	RMB'000	RMB'000	
At 1 January 2025	113,014	878,855	4,366	-	406	(40,620)	956,021	8,378	964,399
Profit for the year	-	-	-	-	-	69,561	69,561	621	70,182
Other comprehensive loss for the year:									
Exchange differences on translation of foreign operations	-	-	-	-	(407)	-	(407)	-	(407)
Total comprehensive (loss)/income for the year	-	-	-	-	(407)	69,561	69,154	621	69,775
Share-based payments	-	-	769	-	-	-	769	-	769
Transfer from retained profits . . .	-	-	-	2,088	-	(2,088)	-	-	-
Capital contribution from non-controlling equity holders . .	-	(1,020)	-	-	-	-	(1,020)	2,616	1,596
At 31 December 2025	<u>113,014</u>	<u>877,835</u>	<u>5,135</u>	<u>2,088</u>	<u>(1)</u>	<u>26,853</u>	<u>1,024,924</u>	<u>11,615</u>	<u>1,036,539</u>

* These reserve accounts comprise the consolidated reserves of RMB787,485,000, RMB843,007,000 and RMB911,910,000 in the consolidated statement of financial position as at 31 December 2023, 2024 and 2025, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Notes</i>	Year ended 31 December		
		2023	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		4,387	55,678	89,285
Adjustments for:				
Depreciation of property, plant and equipment	8	20,474	20,236	12,217
Depreciation of right-of-use assets	8	38,227	37,315	27,719
Amortisation of intangible assets	8	771	837	1,064
Losses/(gains) on disposal of items of property, plant and equipment, net	8	29	(56)	(215)
Losses/(gains) on early termination of certain lease contracts	8	2,273	140	(83)
Investment income and gains on financial instruments	6	(568)	(5,322)	(2,099)
Impairment losses on financial assets, net		4,972	4,272	2,726
Share of profits or losses of joint ventures		1,409	(4,009)	(7,888)
Share-based payment expenses	31	1,099	1,439	769
Bank interest income	8	(7,412)	(11,020)	(8,717)
Finance costs	7	4,803	3,765	4,230
Foreign exchange differences, net	8	5,579	(6,403)	2,752
Write-down/(reversal of write-down) of inventories	8	12,486	(5,815)	(2,323)
		88,529	91,057	119,437
Decrease in inventories		89,976	18,509	23,269
(Increase)/decrease in trade and bills receivables		(63,351)	20,958	(51,800)
(Increase)/decrease in financial assets at fair value through other comprehensive income		(11,703)	6,071	8,169
Decrease in prepayments, other receivables and other assets		13,126	12,079	13,782
(Decrease)/increase in trade and bills payables		(35,903)	42,840	(125,257)
Increase/(decrease) in other payables and accruals		26,933	(23,562)	4,954
Decrease in contract liabilities		(2,181)	(5,591)	(3,320)
Decrease/(increase) in restricted cash		8,652	(155)	(1,305)
Cash from/(used in) operations		114,078	162,206	(12,071)
Income tax paid		(11,812)	(10,175)	(16,489)
Interest received		4,429	7,096	5,411
Net cash flows from/(used in) operating activities		106,695	159,127	(23,149)

APPENDIX I

ACCOUNTANTS’ REPORT

	Year ended 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	(7,094)	(5,973)	(1,657)
Proceeds from disposal of items of property, plant and equipment . .	1,254	123	1,025
Purchases of intangible assets	(1,776)	(1,619)	(661)
Settlement of forward foreign exchange contracts	(1,434)	(2,202)	2,088
Capital injection in joint ventures . .	(6,100)	(25,703)	(16,455)
Dividend income from joint ventures	–	–	2,012
Purchase of financial assets at fair value through profit and loss . . .	(10,500)	(1,100)	(110,000)
Proceeds from disposal of financial assets at fair value through profit or loss	10,504	1,103	50,011
Loans granted to a related party . .	(4,000)	(2,000)	–
Interests received from a related party	10	152	207
Purchase of time deposits with original maturity of more than three months when acquired	(150,000)	–	–
Proceeds from disposal of time deposits with original maturity of more than three months when acquired	17,636	–	–
Increase in restricted cash	(4,230)	(18)	5,768
	<u> </u>	<u> </u>	<u> </u>
Net cash flows used in investing activities	<u>(155,730)</u>	<u>(37,237)</u>	<u>(67,662)</u>
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Capital injection from non-controlling equity holders . .	2,450	6,125	2,616
Capital injection from investors . . .	345,000	20,000	–
Payments for issuance of equity instruments	(1,651)	–	–
Consideration paid for business combination under common control	(880)	–	–
Acquisition of non-controlling interests	(220)	–	–
Proceeds from interest-bearing bank borrowings	118,928	–	270,000
Repayment of interest-bearing bank borrowings	(228,102)	(45,542)	(240,000)
Interest paid	(2,259)	(2,873)	(2,902)
Principal portion of lease payments	(39,535)	(35,203)	(26,895)
Interest portion of lease payments . .	(1,932)	(1,386)	(822)
	<u> </u>	<u> </u>	<u> </u>
Net cash flows from/(used in) financing activities	<u>191,799</u>	<u>(58,879)</u>	<u>1,997</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Year ended 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	142,764	63,011	(88,814)
Cash and cash equivalents at beginning of year	164,369	301,544	371,211
Effect of foreign exchange rate changes, net	(5,589)	6,656	(2,878)
CASH AND CASH EQUIVALENTS AT END OF YEAR	301,544	371,211	279,519
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	461,614	535,224	442,169
Less: Restricted cash	160,070	164,013	162,650
Cash and cash equivalents as stated in the statements of financial position and statements of cash flows	301,544	371,211	279,519

APPENDIX I

ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	As at 31 December		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
NON-CURRENT ASSETS				
Property, plant and equipment	<i>14</i>	37,713	23,044	13,830
Right-of-use assets	<i>15</i>	42,692	30,532	21,639
Intangible assets	<i>16</i>	7,280	6,469	8,902
Investments in subsidiaries	<i>1</i>	18,014	26,429	28,678
Investments in joint ventures	<i>17</i>	17,419	46,478	68,404
Deferred tax assets	<i>29</i>	9,501	7,943	8,485
Prepayments	<i>18</i>	1,672	3,265	429
Restricted cash	<i>24</i>	152,969	156,757	–
Total non-current assets		287,260	300,917	150,367
CURRENT ASSETS				
Inventories	<i>19</i>	475,723	461,209	436,216
Trade and bills receivables	<i>20</i>	522,870	491,863	528,351
Amounts due from subsidiaries		15,370	21,701	31,612
Prepayments, other receivables and other assets	<i>21</i>	71,259	62,926	47,392
Financial assets at FVTPL	<i>22</i>	–	–	60,000
Financial assets at FVTOCI	<i>23</i>	23,645	17,514	9,097
Restricted cash	<i>24</i>	7,101	7,256	162,650
Cash and cash equivalents	<i>24</i>	290,505	345,190	237,905
Total current assets		1,406,473	1,407,659	1,513,223
CURRENT LIABILITIES				
Trade and bills payables	<i>25</i>	551,762	600,121	467,443
Other payables and accruals	<i>26</i>	109,522	85,214	91,293
Amounts due to subsidiaries	<i>1</i>	1,936	2,319	3,804
Contract liabilities	<i>27</i>	37,658	32,267	26,505
Interest-bearing bank borrowings	<i>28</i>	47,155	–	30,136
Derivative financial instruments		7,521	–	–
Lease liabilities	<i>15</i>	16,628	12,329	8,956
Tax payable		1,855	2,530	4,922
Total current liabilities		774,037	734,780	633,059
NET CURRENT ASSETS		632,436	672,879	880,164
TOTAL ASSETS LESS CURRENT LIABILITIES		919,696	973,796	1,030,531

APPENDIX I

ACCOUNTANTS’ REPORT

	<i>Notes</i>	As at 31 December		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
NON-CURRENT LIABILITIES				
Lease liabilities	15	14,963	9,415	4,729
Total non-current liabilities . .		14,963	9,415	4,729
Net assets		904,733	964,381	1,025,802
EQUITY				
Paid-in capital	30	112,685	113,014	113,014
Reserves	32	792,048	851,367	912,788
Total equity		904,733	964,381	1,025,802

APPENDIX I

ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Zhejiang New SORL Auto Parts Co., Ltd. (the “Company”) was incorporated in the People’s Republic of China (hereafter, the “PRC”) on 7 January 2016. The registered office of the Company is located at No. 2666, Development Zone Avenue, Economic Development Zone, Ruian, Wenzhou, Zhejiang Province, China.

During the Relevant Periods, the Company and its subsidiaries (collectively referred to as the “Group”) primarily engaged in sales in auto parts products to major customers through its front stores in the PRC.

As at the date of this report, the Company had direct interests in its subsidiaries. All of which are private limited liability companies, the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of operations	Issued ordinary/ registered capital	Percentage of equity attributable to the company		Principal activities
			Direct	Indirect	
Susong SORL Auto Parts Co., Ltd. (宿松瑞立汽配有限公司) (note(d))*	PRC/Chinese Mainland 28 July 2022	RMB20,000,000	100%	–	Oil, coal, and other fuel processing industries
New SORL Auto Parts Hongkong Company Limited (新瑞立汽配香港有限公司) (note(c))*	Hong Kong 20 December 2021	HKD10,000	100%	–	Retail of auto parts
New SORL (Guangzhou) Logistics Co., Ltd.(新瑞立(廣州)物流有限公司) (note(d))*	PRC/Chinese Mainland 10 May 2021	RMB1,000,000	100%	–	Logistics Transportation, loading and warehousing
Ruian Ruiwo Auto Parts Co., Ltd. (瑞安市瑞沃汽配有限公司) (note(d))*	PRC/Chinese Mainland 30 December 2021	RMB10,000,000	100%	–	Oil, coal, and other fuel processing industries
New SORL (Jinan) Warehousing and Logistics Services Co., Ltd. (新瑞立(濟南)倉儲物流服務有限公司) (note(d))*	PRC/Chinese Mainland 19 April 2021	RMB1,000,000	100%	–	Logistics Transportation, loading and warehousing
Shanghai New SORL Auto Technology Co., Ltd. (上海新瑞立汽車科技有限公司) (note(d))*	PRC/Chinese Mainland 15 December 2025	RMB1,000,000	99%	–	Retail of auto parts
Lingbi Trading Investment New SORL Auto Parts Co., Ltd. (靈璧交投新瑞立汽配有限公司) (note(d))*	PRC/Chinese Mainland 30 August 2024	RMB30,000,000	51%	–	Retail of auto parts
Xuancheng Jiaoyun New SORL Auto Parts Co., Ltd. (宣城交運新瑞立汽配有限公司) (note(d))*	PRC/Chinese Mainland 30 June 2023	RMB30,000,000	51%	–	Retail of auto parts
Lianyungang Jiaokong SORL Auto Parts Co., Ltd. (連雲港交控瑞立汽配有限公司) (note(d))*	PRC/Chinese Mainland 26 March 2024	RMB10,000,000	51%	–	Retail of auto parts
Hangzhou Changyun New SORL Auto Parts Co., Ltd. (杭州長運新瑞立汽配有限公司) (note(d))*	PRC/Chinese Mainland 17 October 2024	RMB5,000,000	51%	–	Retail of auto parts
Qingdao Chengjiao New SORL Auto Parts Co., Ltd. (青島城交新瑞立汽配有限公司) (note(d))*	PRC/Chinese Mainland 12 December 2024	RMB5,000,000	51%	–	Retail of auto parts
Yangzhou New SORL Auto Parts Co., Ltd. (揚州新瑞立汽配有限公司) (note(a))*	PRC/Chinese Mainland 11 March 2025	RMB5,000,000	51%	–	Retail of auto parts
Huaihua New SORL Auto Parts Co., Ltd. (懷化市懷運新瑞立汽配有限責任公司) (note(d))*	PRC/Chinese Mainland 28 November 2024	RMB3,000,000	51%	–	Retail of auto parts
Quzhou Quyun New SORL Auto Parts Co., Ltd. (衢州衢運新瑞立汽配有限公司) (note(b))*	PRC/Chinese Mainland 28 June 2024	RMB3,000,000	51%	–	Retail of auto parts
Yili Chengyun New SORL Auto Parts Co., Ltd. (伊犁城運新瑞立汽配有限責任公司) (note(d))*	PRC/Chinese Mainland 18 December 2025	RMB2,000,000	51%	–	Retail of auto parts

APPENDIX I

ACCOUNTANTS’ REPORT

Notes:

- (a) The statutory financial statements of this company for the year ended 31 December 2025 prepared in accordance with the PRC Generally Accepted Accounting Principles (“**PRC GAAP**”) were audited by Ruian Rongxin United Certified Public Accountants.
 - (b) The statutory financial statements of this company for the years ended 31 December 2024 and 2025 prepared in accordance with the PRC Generally Accepted Accounting Principles (“**PRC GAAP**”) were audited by Ruian Rongxin United Certified Public Accountants.
 - (c) The statutory financial statements of this company for the years ended 31 December 2023, 2024 and 2025 prepared in accordance with the Hong Kong Small and Medium-sized Entity Financial Reporting Standard (“**SME-FRS**”) were audited by DAVE KWOK & Co. Certified Public Accountants.
 - (d) No audited financial statements have been prepared for these companies for the years ended 31 December 2023, 2024 and 2025.
- * The English names of these companies represent the best effort made by the management of the Company to directly translate the Chinese names as they do not register any official English names.

The Company

At the end of Relevant Periods, the Company’s investments in subsidiaries were as follows:

	As at 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Investments, at cost	18,014	26,429	28,678

Amounts due to subsidiaries were unsecured, interest-free and repayable on demand.

2.1 BASIS OF PRESENTATION

On 9 August 2023, the Company entered into equity transfer agreements (the “**Agreements**”) with Lin Chunqin (the “**Seller**”). Pursuant to the Agreements, the Company has agreed to purchase and the Seller has agreed to sell 80% equity interest in Ruian Ruiwo Auto Parts Co. Ltd. (the “**Target Company**”) at a total consideration of RMB880,000 (the “**Acquisition**”).

The ultimate controlling shareholder of the equity interests in the Target Company was Ruili Group Co., Ltd (the “**Ruili Company**”), which is the ultimate holding company of the Company. The Acquisition was completed in November 2023. The consideration was satisfied by cash.

The Acquisition was considered as a business combination under common control as the Company and its subsidiaries and the Target Company are both ultimately controlled by Ruili Company before and after the Acquisition. The acquisition of the Target Company was accounted for using merger accounting in accordance with Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (“**AG 5**”) issued by the HKICPA.

The consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the ultimate holding company, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2023, 2024 and 2025 have been prepared to present the assets and liabilities of the Target Company using the existing book values from the ultimate holding company’s perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Acquisition.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

In anticipation of the [REDACTED], the redemption rights and liquidation preferences of ordinary shares issued to [REDACTED] investors has been irrecoverably terminated and shall be void ab initio as described in note 30 to the Historical Financial Information, having taking into account the legal and regulatory framework of the Company’s jurisdiction and the governing law of the related agreements, the directors of the Company considered that it is appropriate to present the [REDACTED] Investment as equity throughout the Relevant Periods. For the details of financial impacts, please refer to note 30 to the Historical Financial Information.

The Historical Financial Information has been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) as issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). All HKFRS Accounting Standards effective for the accounting period commencing from 1 January 2025, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at FVTPL, financial assets at FVTOCI and derivative financial instruments which have been measured at fair value.

APPENDIX I

ACCOUNTANTS’ REPORT

Basis of consolidation

The Historical Financial Information include the financial information of the Company and its subsidiaries for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting periods as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill) liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS

The Group has not applied the following new and amended HKFRS Accounting Standards, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and amended HKFRS Accounting Standards, if applicable, when they become effective.

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

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

² Effective for annual/reporting periods beginning on or after 1 January 2027

³ No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and amended HKFRS Accounting Standards upon initial application. HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosure of management-defined performance measures in a note and introduces new requirements for aggregation and disaggregation of financial information. The new requirements are expected to impact the Group’s presentation of the statement of profit or loss and disclosures of the Group’s financial performance. So far, the Group considers that these new and amended HKFRS Accounting Standards are unlikely to have a material impact on the Group’s results of operations and financial position.

In addition, the HKICPA has issued amendments to Illustrative Examples on HKFRS 7, HKFRS 18, HKAS 1, HKAS 8, HKAS 36 and HKAS 37 *Disclosures about Uncertainties in the Financial Statements*, which added illustrative examples in the corresponding HKFRS Accounting Standards. These examples reflect existing requirements in the corresponding HKFRS Accounting Standards to report the effects of uncertainties in the financial statements using climate-related examples. Therefore, the amendments do not have an effective date or transitional provisions.

APPENDIX I

ACCOUNTANTS' REPORT

2.4 MATERIAL ACCOUNTING POLICIES

Investments in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's investments in the joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of joint ventures is included as part of the Group's investments in joint ventures.

Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Fair value measurement

The Group measures its derivative financial instruments and certain financial assets at fair value at the end of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

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

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

APPENDIX I

ACCOUNTANTS' REPORT

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

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

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

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

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

Plant and machinery	4.75%-31.67%
Furniture and fixtures	4.75%-31.67%
Motor vehicles	19.00%-31.67%
Leasehold improvements	100%

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

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

APPENDIX I

ACCOUNTANTS' REPORT

Construction in progress is stated at cost less any impairment losses and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

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

Software

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of 10 years based on the Group's past experiences and different purposes on usages of the software and the authorised period for such uses.

Research and development expenses

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

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

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

Warehouses, self-operated stores and office premises	1-8 years
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If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are presented separately in the consolidated statement of financial position.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of buildings and motor vehicles (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

APPENDIX I

ACCOUNTANTS’ REPORT

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for “Revenue recognition” below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statements of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statements of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statements of profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognised in the statements of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the statements of profit or loss when the right of payment has been established.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

APPENDIX I

ACCOUNTANTS’ REPORT

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

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

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

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and bills payables, other payables and accruals, interest-bearing borrowings and derivative financial instruments.

APPENDIX I

ACCOUNTANTS' REPORT

The Group classifies financial liabilities that arise from a supplier finance arrangement within trade and bills payables in the statement of financial position if they have a similar nature and function to trade payables. This is the case if the supplier finance arrangement is part of the working capital used in the Group's normal operating cycle, the level of security provided is similar to trade payables and the terms of the liabilities that are part of the supply chain finance arrangement are not substantially different from the terms of trade payables that are not part of the arrangement. Cash flows related to liabilities arising from supplier finance arrangements that are classified in trade and bills payables in the statement of financial position are included in operating activities in the statement of cash flows.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statements of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statements of profit or loss.

Classification as equity and financial liabilities

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

A financial liability is any liability that is (a) a contractual obligation (i) to deliver cash or another financial asset to another entity; or (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or (b) a contract that will or may be settled in the entity's own equity instruments and is: (i) a non derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statements of profit or loss.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Inventories

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

Cash and cash equivalents

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

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

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statements of profit or loss.

APPENDIX I

ACCOUNTANTS' REPORT

The Group provides for warranties in relation to the sale of certain products for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are initially recognised based on sales volume and past experience of the level of repairs and returns. The warranty related cost is revised annually.

Income tax

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

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

Deferred tax is provided, using the liability method, on all temporary differences at the end of the financial year between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax assets relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at the end of each financial year and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statements of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

APPENDIX I

ACCOUNTANTS' REPORT

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Revenue from the sale of auto parts products is recognised at the point in time when control of the asset is transferred to the customer, generally upon acceptance by the customers.

Some contracts for the sale of the Group's products provide customers with sales rebates, giving rise to variable consideration.

(i) *Volume rebates*

Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer or can be used to offset future purchase. The former is regarded as a payment to customer which is deducted from revenue, while the latter is regarded as a material right and the related revenue is deferred until the customer utilise such rebates in future purchase. To estimate the amount for the expected rebates, the most likely amount method is used for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Employee benefits

Pension scheme

The employees of the Company's subsidiaries which operate in the Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the statements of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Share-based payments

Employees (including directors) of the Company receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees are measured by reference to the fair values at the dates at which they are granted. The fair value is determined based on the transaction prices observed in third-party transactions during the nearest period, further details are given in note 31 to the Historical Financial Information.

The cost of equity-settled transactions is recognised as employee benefit expenses, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each Relevant Periods until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statements of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

APPENDIX I

ACCOUNTANTS’ REPORT

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Borrowing costs

All borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the same as the Company’s functional currency. As the major revenues and assets of the Company are derived from operations in the Chinese Mainland, RMB is chosen as the presentation currency to present the Historical Financial Information. Foreign currency transactions recorded by the entities in the Company are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Company initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Company determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each of the Relevant Periods and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statements of profit or loss.

For the purpose of the statements of cash flows, the cash flows of these entities are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of these entities which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

APPENDIX I

ACCOUNTANTS’ REPORT

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimation uncertainty

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

Provision for expected credit losses on trade and bills receivables

The Group uses a provision matrix to calculate ECLs for trade and bills receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group’s historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of a customer’s actual default in the future. The information about the ECLs on the Group’s trade receivables and contract assets is disclosed in note 20 to the financial statements.

4. OPERATING SEGMENT INFORMATION

No operating segment information is presented as the Group’s revenue and reported results during the Relevant Periods, and the Group’s total assets as at the end of the Relevant Periods were derived from one single operating segment.

Geographical information

For management purposes, the Group is not organised into business units based on their products and only has one reportable operating segment. Management monitors the operating results of the Group’s operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment. Revenue by geographical segment refers to Note 5.

Majority of the non-current assets of the Group were located in Chinese Mainland. Thus, no geographic information of non-current assets is presented in accordance with HKFRS 8 Operating Segments is presented.

Information about major customers

The Group has a large number of customers, and no single customer accounted for more than 10% of the group’s total revenue during the Relevant Periods.

APPENDIX I

ACCOUNTANTS’ REPORT

5. REVENUE

Revenue represents income from comprehensive automotive products during the Relevant Periods.

(i) Disaggregated revenue information

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
<i>Revenue from contracts with customers:</i>			
Sale of products	2,676,164	2,715,330	2,504,373

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
<i>Geographical markets</i>			
Chinese Mainland	1,684,020	1,763,639	1,627,118
Europe	254,226	233,576	209,102
Asia	238,419	226,265	250,043
North America	229,845	239,119	197,587
South America	164,324	142,934	132,738
Africa	79,674	87,478	66,810
Oceania	25,656	22,319	20,975
Total	2,676,164	2,715,330	2,504,373

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
<i>Timing of revenue recognition</i>			
Goods transferred at a point in time	2,676,164	2,715,330	2,504,373

Revenue recognised that was included in contract liabilities at the beginning of the reporting period:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Sale of products	40,057	37,876	32,285

(ii) Performance obligations

Information about the Group’s performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied when customers take possession of and accept the automotive products. For majority of the domestic sales transactions, customers make advance payment before the products are delivered to them, and for certain sales transactions, payment is due within 1 to 5 months from delivery. For majority of the overseas sales transactions, customers make payment within 30 days, and for the remaining sales transactions, payment is due within up to 180 days. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

APPENDIX I

ACCOUNTANTS’ REPORT

6. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Other income			
Bank interest income	7,412	11,020	8,717
Government grants*	1,373	1,365	890
Others	780	785	825
Subtotal	9,565	13,170	10,432
Gains			
Investment income and gains on financial instruments	568	5,322	2,099
Foreign exchange gains	–	6,403	–
Gains on early termination of certain lease contracts	–	–	82
Gains on disposal of property, plant and equipment	–	56	215
Subtotal	568	11,781	2,396
Total	10,133	24,951	12,828

* Government grants mainly represent various supports awarded by the local governments to support the Group’s operation. There are no unfilled conditions or contingencies relating to these grants.

7. FINANCE COSTS

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Finance costs			
Interest on bank loans	2,871	2,261	3,038
Interest on lease liabilities	1,932	1,386	822
Interest on liabilities relating to redemption right held by NCI	–	118	370
Total	4,803	3,765	4,230

For the details of [REDACTED] investments, please refer to Note 30 to this report.

APPENDIX I

ACCOUNTANTS’ REPORT

8. PROFIT BEFORE TAX

The Group’s profit before tax is arrived at after charging/(crediting):

	<i>Notes</i>	Year ended 31 December		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cost of inventories sold*		2,233,931	2,280,746	2,108,836
Depreciation of property, plant and equipment charged to profit or loss**	14	20,474	20,236	12,217
Depreciation of right-of-use assets charged to profit or loss**	15	38,227	37,315	27,719
Amortisation of intangible assets**	16	771	837	1,064
Lease payments not included in the measurement of lease liabilities	15(c)	19,739	6,706	5,978
Research and development expenses		1,725	2,053	1,881
Employee benefit expenses (including directors’ remuneration (note 9)):				
Wages and salaries		212,705	199,618	161,397
Pension scheme contributions		30,944	28,619	24,137
Share-based payment expenses	31	1,099	1,439	769
Total		244,748	229,676	186,303
Foreign exchange differences, net		5,579	(6,403)	2,752
Impairment of trade and bills receivables, net		4,640	4,414	2,645
Impairment of financial assets included in prepayments, other receivables and other assets, net		332	(142)	81
Write-down/(reversal of write-down) of inventories, net		12,486	(5,815)	(2,323)
Losses/(gains) on early termination of certain lease contracts	15(c)	2,273	140	(83)
Losses/(gains) on disposal of items of property, plant and equipments, net		29	(56)	(215)
Bank interest income	6	(7,412)	(11,020)	(8,717)
Investment income and gains on financial instruments	6	(568)	(5,322)	(2,099)

* Cost of inventories sold in the consolidated statement of profit or loss include expenses relating to depreciation of property, plant and equipment, employee benefit expenses and impairment of inventories, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

** The depreciation of property, plant and equipment, right-of-use assets, and amortisation of intangible assets is included in “Cost of sales”, “Selling and distribution expenses” and “Administrative expenses” in the consolidated statement of profit or loss.

9. DIRECTORS’ AND SUPERVISORS’ REMUNERATION

The remuneration of each of the Company’s directors and supervisors as recorded in each of the Relevant Periods are set out below:

	Year ended 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Fees	–	–	–
Other emoluments:			
Salaries, bonus, allowances and benefits in kind	718	935	936
Performance related bonuses	260	326	460
Pension scheme and social welfare	54	77	54
Share-based payments	165	281	362
Total	1,197	1,619	1,812

APPENDIX I

ACCOUNTANTS’ REPORT

(a) Independent non-executive directors

There were no independent non-executive directors during each of the Relevant Periods.

(b) Executive directors and supervisors

Details of the emoluments paid or payable to directors and supervisors of the Company for their services provided to the Group during the Relevant Periods are as follows:

	Year ended 31 December 2023				
	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme and social welfare	Share-based Payment	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Honorary chairman of the Board					
Mr. Zhang Xiaoping (note (i))	–	–	–	–	–
Executive directors:					
Ms. Yu Jinrui (note (ii))	239	100	18	83	440
Mr. Xu Benguang (note (iii))	239	90	18	47	394
Mr. Feng Qiancun (note (iv))	240	70	18	35	363
Mr. Lu Yongtao (note (v))	–	–	–	–	–
Subtotal	718	260	54	165	1,197
Supervisors:					
Ms. Chi Shuping (note (vi))	–	–	–	–	–
Mr. Su Changru (note (vii))	–	–	–	–	–
Subtotal	–	–	–	–	–
Non-executive director:					
Mr. Zhang Ruocong (note (ix))	–	–	–	–	–
Total	718	260	54	165	1,197

	Year ended 31 December 2024				
	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme and social welfare	Share-based Payment	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Honorary chairman of the Board					
Mr. Zhang Xiaoping (note (i))	–	–	–	–	–
Executive directors:					
Ms. Yu Jinrui (note (ii))	239	100	20	116	475
Mr. Xu Benguang (note (iii))	240	100	19	66	425
Mr. Feng Qiancun (note (iv))	240	70	19	49	378
Mr. Lu Yongtao (note (v))	–	–	–	–	–
Subtotal	719	270	58	231	1,278
Supervisors:					
Ms. Chi Shuping (note (vi))	–	–	–	–	–
Mr. Su Changru (note (vii))	–	–	–	–	–
Mr. Miao Quanhu (note (viii))	216	56	19	50	341
Subtotal	216	56	19	50	341
Non-executive director:					
Mr. Zhang Ruocong (note (ix))	–	–	–	–	–
Total	935	326	77	281	1,619

APPENDIX I

ACCOUNTANTS’ REPORT

	Year ended 31 December 2025				
	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme and social welfare	Share-based Payment	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Honorary chairman of the Board					
Mr. Zhang Xiaoping (<i>note (i)</i>)	–	–	–	–	–
Executive directors:					
Ms. Yu Jinrui (<i>note (ii)</i>)	240	139	7	149	535
Mr. Xu Benguang (<i>note (iii)</i>)	240	139	20	85	484
Mr. Feng Qiancun (<i>note (iv)</i>)	240	128	6	64	438
Subtotal	720	406	33	298	1,457
Supervisors:					
Ms. Chi Shuping (<i>note (vi)</i>)	–	–	–	–	–
Mr. Su Changru (<i>note (vii)</i>)	–	–	–	–	–
Mr. Miao Quanhu (<i>note (viii)</i>)	216	54	21	64	355
Subtotal	216	54	21	64	355
Non-executive director:					
Mr. Zhang Ruocong (<i>note (ix)</i>)	–	–	–	–	–
Total	936	460	54	362	1,812

There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the Relevant Periods.

Notes:

- (i) Mr. Zhang Xiaoping was appointed as an honorary chairman of the Board in January 2016 and redesignated as the honorary chairman of the Board and a non-executive Director in June 2026.
- (ii) Ms. Yu Jinrui was appointed as an executive director in January 2016.
- (iii) Mr. Xu Benguang was appointed an executive director in January 2016.
- (iv) Mr. Feng Qiancun was appointed an executive director in November 2021 and resigned in June 2026.
- (v) Mr. Lu Yongtao was appointed an executive director in November 2021 and resigned in August 2024.
- (vi) Ms. Chi Shuping was appointed as a supervisor in March 2021 and resigned in May 2026.
- (vii) Mr. Su Changru was appointed a supervisor in November 2021 and resigned in May 2026.
- (viii) Mr. Miao Quanhu was appointed a supervisor in November 2024 and resigned in May 2026.
- (ix) Mr. Zhang Ruocong was appointed a non-executive director in August 2024.

APPENDIX I

ACCOUNTANTS’ REPORT

10. FIVE HIGHEST PAID EMPLOYEES

The five individuals with the highest emoluments in the Group during the years ended 31 December 2023, 2024 and 2025 include 2, 2 and 2 directors, respectively, details of whose remuneration are set out in note 9 above. Details of the remuneration of the 3, 3 and 3 highest paid employees who are not a director or supervisor of the Company for the years ended 31 December 2023, 2024 and 2025 are as follows:

	Year ended 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, allowances and benefits in kind	722	733	736
Performance related bonuses	284	300	375
Pension scheme and social welfare	49	58	47
Share-based payments	141	215	213
Total	<u>1,196</u>	<u>1,306</u>	<u>1,371</u>

The numbers of non-director and non-supervisor highest paid employees whose remuneration fell within the following bands are as follows:

	Number of employees		
	Year ended 31 December		
	2023	2024	2025
Nil to HKD1,000,000	<u>3</u>	<u>3</u>	<u>3</u>

11. INCOME TAX EXPENSES

	Year ended 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current – Chinese Mainland			
Charge for the year	5,123	11,644	19,396
Deferred	(1,607)	1,521	(293)
Total tax charge for the year	<u>3,516</u>	<u>13,165</u>	<u>19,103</u>

PRC enterprise income tax

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the EIT rate for the Group’s PRC subsidiaries is 25% unless subject to tax exemptions set out below.

Certain of the Group’s PRC subsidiaries are qualified as small and micro enterprises by the relevant tax authorities and were entitled to a preferential EIT rate of 5% for the taxable income during the Relevant Periods.

Hong Kong profits tax

No provision for Hong Kong profit tax was provided as the Company. Pursuant to the two-tiered profit tax rates regime, the Group’s first HKD2,000,000 of assessable profits under Hong Kong profits tax during the Relevant Periods were subject to a tax rate of 8.25%. The Group’s remaining assessable profits above HKD2,000,000 will continue to be subject to a tax rate of 16.5% during the Relevant Periods.

APPENDIX I

ACCOUNTANTS’ REPORT

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

	Year ended 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Profit before tax	4,387	55,678	89,285
Tax charge at the statutory tax rate of 25%	1,097	13,920	22,321
Effect of different tax rates enacted by local authorities	1,361	(532)	(1,867)
Expenses not deductible for tax	706	779	621
Profits and losses attributable to joint ventures	352	(1,002)	(1,972)
Tax charge for the year at the Group’s effective rate	3,516	13,165	19,103

12. DIVIDEND

No dividend has been paid or declared by the Company during the Relevant Periods.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on profit for the year attributable to ordinary equity holders of the parent, and the weighted average numbers of ordinary shares outstanding during the Relevant Periods.

In May 2026, the paid-in capital of the Company was fully converted into ordinary shares upon the transformation of the Company into a joint stock company (note 40). The weighted average numbers of ordinary shares outstanding have been retroactively adjusted to reflect the post-capitalisation share count, incorporating both the share structure reform and capitalisation adjustments.

Earnings per share

	Year ended 31 December		
	2023	2024	2025
Earnings			
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation (<i>RMB’000</i>)	996	42,598	69,561
Shares			
Weighted average number of ordinary shares outstanding, used in the basic and diluted earnings per share calculation (<i>’000</i>)	219,057	225,899	226,029
Basic and diluted earnings per share (<i>RMB</i>)	0.00	0.19	0.31

The Group has no dilutive potential ordinary shares and accordingly, the diluted earnings per share for the Relevant Periods were the same as the basic earnings per share.

APPENDIX I

ACCOUNTANTS’ REPORT

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements	Plant and machinery	Furniture and fixtures	Motor vehicles	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2023:					
Cost	–	7,208	9,453	76,101	92,762
Accumulated depreciation	–	(702)	(4,078)	(30,342)	(35,122)
Net carrying amount	–	6,506	5,375	45,759	57,640
At 1 January 2023, net of accumulated depreciation	–	6,506	5,375	45,759	57,640
Additions	189	2,511	1,013	5,357	9,070
Disposals	–	–	(14)	(1,269)	(1,283)
Depreciation provided during the year	(122)	(819)	(1,371)	(18,162)	(20,474)
At 31 December 2023, net of accumulated depreciation	67	8,198	5,003	31,685	44,953
At 31 December 2023					
Cost	189	9,719	10,449	80,091	100,448
Accumulated depreciation	(122)	(1,521)	(5,446)	(48,406)	(55,495)
Net carrying amount	67	8,198	5,003	31,685	44,953
At 1 January 2024:					
Cost	189	9,719	10,449	80,091	100,448
Accumulated depreciation	(122)	(1,521)	(5,446)	(48,406)	(55,495)
Net carrying amount	67	8,198	5,003	31,685	44,953
At 1 January 2024, net of accumulated depreciation	67	8,198	5,003	31,685	44,953
Additions	167	2,042	1,183	2,499	5,891
Disposals	–	–	(7)	(60)	(67)
Depreciation provided during the year	(114)	(1,178)	(2,143)	(16,801)	(20,236)
At 31 December 2024, net of accumulated depreciation	120	9,062	4,036	17,323	30,541
At 31 December 2024					
Cost	356	11,761	11,625	82,289	106,031
Accumulated depreciation	(236)	(2,699)	(7,589)	(64,966)	(75,490)
Net carrying amount	120	9,062	4,036	17,323	30,541

APPENDIX I

ACCOUNTANTS’ REPORT

	Leasehold improvements	Plant and machinery	Furniture and fixtures	Motor vehicles	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 1 January 2025:					
Cost	356	11,761	11,625	82,289	106,031
Accumulated depreciation	(236)	(2,699)	(7,589)	(64,966)	(75,490)
Net carrying amount	120	9,062	4,036	17,323	30,541
At 1 January 2025, net of accumulated depreciation					
Additions	120	9,062	4,036	17,323	30,541
Disposals	101	1,294	450	527	2,372
Depreciation provided during the year	–	(10)	(63)	(737)	(810)
Depreciation provided during the year	(180)	(1,242)	(1,516)	(9,279)	(12,217)
At 31 December 2025, net of accumulated depreciation	41	9,104	2,907	7,834	19,886
At 31 December 2025					
Cost	457	13,030	11,961	76,347	101,795
Accumulated depreciation	(416)	(3,926)	(9,054)	(68,513)	(81,909)
Net carrying amount	41	9,104	2,907	7,834	19,886
Company					
	Leasehold improvements	Plant and machinery	Furniture and fixtures	Motor vehicles	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 1 January 2023:					
Cost	–	1,759	9,418	74,552	85,729
Accumulated depreciation	–	(698)	(4,070)	(29,889)	(34,657)
Net carrying amount	–	1,061	5,348	44,663	51,072
At 1 January 2023, net of accumulated depreciation					
Additions	170	1,410	954	5,012	7,546
Disposals	–	–	(14)	(1,270)	(1,284)
Depreciation provided during the year	(120)	(319)	(1,348)	(17,834)	(19,621)
At 31 December 2023, net of accumulated depreciation	50	2,152	4,940	30,571	37,713
At 31 December 2023					
Cost	170	3,169	10,355	78,197	91,891
Accumulated depreciation	(120)	(1,017)	(5,415)	(47,626)	(54,178)
Net carrying amount	50	2,152	4,940	30,571	37,713

APPENDIX I

ACCOUNTANTS’ REPORT

	Leasehold improvements	Plant and machinery	Furniture and fixtures	Motor vehicles	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2024:					
Cost	170	3,169	10,355	78,197	91,891
Accumulated depreciation	(120)	(1,017)	(5,415)	(47,626)	(54,178)
Net carrying amount	50	2,152	4,940	30,571	37,713
At 1 January 2024, net of accumulated depreciation					
Additions	50	2,152	4,940	30,571	37,713
Disposals	72	958	1,123	2,174	4,327
Depreciation provided during the year	–	–	(7)	(61)	(68)
	(78)	(366)	(2,107)	(16,377)	(18,928)
At 31 December 2024, net of accumulated depreciation	44	2,744	3,949	16,307	23,044
At 31 December 2024					
Cost	242	4,127	11,471	80,069	95,909
Accumulated depreciation	(198)	(1,383)	(7,522)	(63,762)	(72,865)
Net carrying amount	44	2,744	3,949	16,307	23,044
At 1 January 2025:					
Cost	242	4,127	11,471	80,069	95,909
Accumulated depreciation	(198)	(1,383)	(7,522)	(63,762)	(72,865)
Net carrying amount	44	2,744	3,949	16,307	23,044
At 1 January 2025, net of accumulated depreciation					
Additions	44	2,744	3,949	16,307	23,044
Disposals	13	1,236	411	527	2,187
Depreciation provided during the year	–	(10)	(63)	(555)	(628)
	(50)	(394)	(1,467)	(8,862)	(10,773)
At 31 December 2025, net of accumulated depreciation	7	3,576	2,830	7,417	13,830
At 31 December 2025					
Cost	255	5,338	11,768	74,448	91,809
Accumulated depreciation	(248)	(1,762)	(8,938)	(67,031)	(77,979)
Net carrying amount	7	3,576	2,830	7,417	13,830

APPENDIX I

ACCOUNTANTS’ REPORT

15. LEASE

The Group’s leases consist of its self-operated stores, warehouses, office premises. The movements in right-of-use assets and lease liabilities during the Relevant Periods are as follows:

(a) Right-of-use assets

Group

	Warehouses, self-operated stores and office premises
	<i>RMB’000</i>
As at 1 January 2023	63,768
Additions	41,799
Depreciation charge	(38,227)
Termination	(19,827)
	<hr/>
As at 31 December 2023 and 1 January 2024	47,513
	<hr/> <hr/>
Additions	30,623
Depreciation charge	(37,315)
Termination	(7,935)
	<hr/>
As at 31 December 2024 and 1 January 2025	32,886
	<hr/> <hr/>
Additions	18,726
Depreciation charge	(27,719)
Termination	(695)
	<hr/>
As at 31 December 2025	23,198
	<hr/> <hr/>

Company

	Warehouses, self-operated stores and office premises
	<i>RMB’000</i>
As at 1 January 2023	58,001
Additions	39,572
Depreciation charge	(35,054)
Termination	(19,827)
	<hr/>
As at 31 December 2023 and 1 January 2024	42,692
	<hr/> <hr/>
Additions	29,457
Depreciation charge	(33,682)
Termination	(7,935)
	<hr/>
As at 31 December 2024 and 1 January 2025	30,532
	<hr/> <hr/>
Additions	16,090
Depreciation charge	(24,632)
Termination	(351)
	<hr/>
As at 31 December 2025	21,639
	<hr/> <hr/>

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Lease liabilities

Group

	As at 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount at the beginning of the year	51,597	36,306	23,931
New leases	41,799	30,623	18,726
Payments	(41,467)	(36,589)	(27,717)
Termination	(17,555)	(7,795)	(777)
Accretion of interest recognised during the year	1,932	1,386	822
Carrying amount at the end of the year	<u>36,306</u>	<u>23,931</u>	<u>14,985</u>
Analysed into:			
Current portion	19,394	14,045	9,914
Non-current portion	16,912	9,886	5,071

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

Company

	As at 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount at the beginning of the year	46,014	31,591	21,744
New leases	39,572	29,457	16,090
Payments	(38,240)	(32,745)	(24,431)
Termination	(17,555)	(7,795)	(473)
Accretion of interest recognised during the year	1,800	1,236	755
Carrying amount at the end of the year	<u>31,591</u>	<u>21,744</u>	<u>13,685</u>
Analysed into:			
Current portion	16,628	12,329	8,956
Non-current portion	14,963	9,415	4,729

(c) The amounts recognised in profit or loss in relation to leases are as follows:

Group

	As at 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest on lease liabilities	1,932	1,386	822
Depreciation charge of right-of-use assets	38,227	37,315	27,719
Losses/(gains) on termination of leases	2,272	140	(83)
Expense relating to short-term leases	19,739	6,706	5,978
Total amount recognised in profit or loss	<u>62,170</u>	<u>45,547</u>	<u>34,436</u>

The Group’s right-of-use assets held under the leases of its self-operated stores, warehouses, distribution centers, office space have terms ranging between 1 and 8 years. All the payments and all the lease liabilities are payable according to the lease term.

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 33 and 39, respectively, to the financial statements

APPENDIX I

ACCOUNTANTS’ REPORT

16. INTANGIBLE ASSETS

Group and Company

	Software
	<i>RMB’000</i>
At 1 January 2023	
Cost	7,669
Accumulated amortisation	(442)
	<hr/>
Net carrying amount	7,227
	<hr/> <hr/>
At 1 January 2023, net of accumulated amortisation	7,227
Additions	824
Amortisation provided during the year	(771)
	<hr/>
At 31 December 2023, net of accumulated amortisation	7,280
	<hr/> <hr/>
At 31 December 2023	
Cost	8,493
Accumulated amortisation	(1,213)
	<hr/>
Net carrying amount	7,280
	<hr/> <hr/>
	Software
	<i>RMB’000</i>
At 1 January 2024	
Cost	8,493
Accumulated amortisation	(1,213)
	<hr/>
Net carrying amount	7,280
	<hr/> <hr/>
At 1 January 2024, net of accumulated amortisation	7,280
Additions	26
Amortisation provided during the year	(837)
	<hr/>
At 31 December 2024, net of accumulated amortisation	6,469
	<hr/> <hr/>
At 31 December 2024	
Cost	8,519
Accumulated amortisation	(2,050)
	<hr/>
Net carrying amount	6,469
	<hr/> <hr/>

APPENDIX I

ACCOUNTANTS’ REPORT

	Software
	<i>RMB’000</i>
At 1 January 2025	
Cost	8,519
Accumulated amortisation	(2,050)
	<hr/>
Net carrying amount	6,469
	<hr/> <hr/>
At 1 January 2025, net of accumulated amortisation	6,469
Additions	3,497
Amortisation provided during the year	(1,064)
	<hr/>
At 31 December 2025, net of accumulated amortisation	8,902
	<hr/> <hr/>
At 31 December 2025	
Cost	12,016
Accumulated amortisation	(3,114)
	<hr/>
Net carrying amount	8,902
	<hr/> <hr/>

17. INVESTMENTS IN JOINT VENTURES

Group and Company

	As at 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Share of net assets	17,419	46,478	68,404
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The following table illustrates the aggregate financial information of the Group’s joint ventures that are not individually material:

	As at 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Share of the joint ventures’ (loss)/profit for the year	(1,409)	4,009	7,888
Share of the joint ventures’ total comprehensive (loss)/income	(1,409)	4,009	7,888
Aggregate carrying amount of the Group’s investments in the joint ventures	17,419	46,478	68,404

18. PREPAYMENTS

Group and Company

	As at 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Prepayments for softwares	1,672	3,265	429
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

APPENDIX I

ACCOUNTANTS’ REPORT

19. INVENTORIES

Group

	As at 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Finished goods	437,580	431,368	392,771
Goods in transit	78,470	66,406	82,456
Raw materials	2,033	1,800	1,078
	<u>(36,009)</u>	<u>(30,194)</u>	<u>(27,871)</u>
Total	<u>482,074</u>	<u>469,380</u>	<u>448,434</u>

Company

	As at 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Finished goods	436,482	425,479	381,967
Goods in transit	75,025	65,619	81,476
Raw materials	225	178	180
	<u>(36,009)</u>	<u>(30,067)</u>	<u>(27,407)</u>
Total	<u>475,723</u>	<u>461,209</u>	<u>436,216</u>

20. TRADE AND BILLS RECEIVABLES

Group

	As at 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	453,008	446,763	501,524
Bills receivables	93,731	77,882	74,530
Provision for impairment	(2,909)	(7,188)	(9,442)
Net carrying amount	<u>543,830</u>	<u>517,457</u>	<u>566,612</u>

The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

Included in the Group’s trade receivables are amounts due from the Group’s related parties of RMB25,383,000, RMB69,624,000 and RMB126,296,000, respectively.

In view of the aforementioned and the fact that the Group’s trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

APPENDIX I

ACCOUNTANTS’ REPORT

Company

	As at 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	431,978	421,745	465,118
Bills receivables	93,731	77,233	72,480
Provision for impairment	(2,839)	(7,115)	(9,247)
Net carrying amount	<u>522,870</u>	<u>491,863</u>	<u>528,351</u>

Included in the Company’s trade receivables are amounts due from the Company’s related parties of RMB24,763,000, RMB68,289,000 and RMB125,088,000, respectively.

The credit terms granted by the Group generally range from 30 to 180 days. An ageing analysis of the Group’s trade and bills receivables, based on the transaction date and net of loss allowance, as at the end of each of the Relevant Periods is as follows:

Group

	As at 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	521,563	496,669	547,151
1 to 2 years	22,267	18,144	17,037
2-3 years	–	2,644	2,424
Total	<u>543,830</u>	<u>517,457</u>	<u>566,612</u>

Company

	As at 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	501,767	471,075	508,890
1 to 2 years	21,103	18,144	17,037
2-3 years	–	2,644	2,424
Total	<u>522,870</u>	<u>491,863</u>	<u>528,351</u>

The movements in the loss allowance for impairment of trade and bills receivables are as follows:

Group

	As at 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year	2,142	2,909	7,188
Impairment losses (<i>note 8</i>)	4,640	4,414	2,645
Amount written off as uncollectible	(3,873)	(135)	(391)
At end of year	<u>2,909</u>	<u>7,188</u>	<u>9,442</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Company

	As at 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year	2,122	2,840	7,115
Impairment losses	4,592	4,410	2,523
Amount written off as uncollectible	(3,874)	(135)	(391)
At end of year	<u>2,840</u>	<u>7,115</u>	<u>9,247</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on transaction date for groupings of various customer segments with similar loss patterns (by customer type and rating). The calculation reflects the probability-weighted outcome, reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group writes off trade receivables when there is information indicating that the counterparty is in severe financial difficulties and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner, also taking into account legal advice where appropriate.

Set out below is the information about the credit risk exposure on the Group’s trade receivables using a provision matrix:

Group

As at 31 December 2023

	Within 1 year	1 to 2 years	Total
Expected credit loss rate	0.31%	6.38%	0.63%
Gross carrying amount (<i>RMB'000</i>)	429,223	23,785	453,008
Expected credit losses (<i>RMB'000</i>)	1,351	1,517	2,868

As at 31 December 2024

	Within 1 year	1 to 2 years	2 to 3 years	Total
Expected credit loss rate	0.51%	11.93%	49.40%	1.61%
Gross carrying amount (<i>RMB'000</i>)	420,936	20,602	5,225	446,763
Expected credit losses (<i>RMB'000</i>)	2,132	2,458	2,581	7,171

As at 31 December 2025

	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	0.50%	5.85%	56.48%	100%	1.87%
Gross carrying amount (<i>RMB'000</i>)	475,033	18,095	5,570	2,826	501,524
Expected credit losses (<i>RMB'000</i>)	2,370	1,058	3,146	2,826	9,400

There was no recent history of default and past due amounts for bills receivables. As at the end of each of the Relevant Periods, the loss allowance was assessed to be minimal.

APPENDIX I

ACCOUNTANTS’ REPORT

Company

As at 31 December 2023

	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>Total</u>
Expected credit loss rate	0.31%	6.38%	0.63%
Gross carrying amount (<i>RMB’000</i>)	409,438	22,540	431,978
Expected credit losses (<i>RMB’000</i>)	1,289	1,437	2,726

As at 31 December 2024

	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>Total</u>
Expected credit loss rate	0.51%	11.93%	49.40%	1.67%
Gross carrying amount (<i>RMB’000</i>)	395,918	20,602	5,225	421,745
Expected credit losses (<i>RMB’000</i>)	2,005	2,458	2,581	7,044

As at 31 December 2025

	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>Over 3 years</u>	<u>Total</u>
Expected credit loss rate	0.50%	5.85%	56.48%	100%	1.98%
Gross carrying amount (<i>RMB’000</i>)	438,627	18,095	5,570	2,826	465,118
Expected credit losses (<i>RMB’000</i>)	2,188	1,058	3,146	2,826	9,218

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

Group

	<i>Notes</i>	As at 31 December		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Prepayments	<i>a</i>	21,080	19,099	14,043
Export tax refund		22,421	14,081	14,413
Value-added tax recoverable		14,107	14,656	3,888
Prepaid income tax		–	–	36
Deposits	<i>b</i>	2,366	2,336	4,219
Amount due from related parties (<i>Note 35</i>)		4,004	6,006	6,006
Right-of-return assets		5,525	5,522	5,802
Dividend income from joint ventures		–	630	754
Other receivables	<i>b</i>	5,656	3,382	2,929
Less: impairment allowance	<i>c</i>	(332)	(190)	(271)
Total		74,827	65,522	51,819

APPENDIX I

ACCOUNTANTS’ REPORT

Company

	<i>Notes</i>	As at 31 December		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Prepayments	<i>a</i>	19,851	18,221	11,626
Export tax refund		22,421	14,081	14,413
Value-added tax recoverable		12,921	13,937	3,549
Deposits	<i>b</i>	1,680	1,625	3,021
Amount due from related parties		4,004	6,006	6,006
Right-of-return assets		5,525	5,522	5,802
Dividend income from joint ventures		–	630	754
Other receivables	<i>b</i>	5,150	3,056	2,428
Less: impairment allowance	<i>c</i>	(293)	(152)	(207)
Total		71,259	62,926	47,392

Notes:

- (a) Prepayments represent advances to certain major suppliers for the purchase of goods.
- (b) Deposits and other receivables mainly represent lease deposits and deposits with suppliers. Deposits and other receivables are non-interest-bearing and trade in nature.
- (c) The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at the end of each of the Relevant Periods, the loss allowance was assessed to be minimal.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group and Company

	As at 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Wealth management product	–	–	60,000

The wealth management product was issued by banks in the Chinese Mainland, which is redeemable at any time. It was mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Group

	As at 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Bills receivables, at fair value	23,645	17,574	9,405

Company

	As at 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Bills receivables, at fair value	23,645	17,514	9,097

APPENDIX I

ACCOUNTANTS’ REPORT

24. CASH AND BANK BALANCES

Group

	Notes	As at 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Non-current				
Pledged deposits for bills payable	a	152,969	156,757	–
Current				
Cash and bank balances		308,645	378,467	442,169
Less: Restricted cash for bills payable	b	1,351	1,488	2,793
Restricted cash for forward foreign exchange contracts	c	5,750	5,768	–
Pledged deposits for bills payable	a	–	–	159,857
Cash and cash equivalents		301,544	371,211	279,519
Denominated in:				
RMB		227,562	205,793	222,818
USD		72,139	161,536	44,231
EUR		1,101	1,155	4,259
AUD		742	2,608	7,595
HKD		–	119	616
Total		301,544	371,211	279,519

The RMB is not freely convertible into other currencies, however, under the Chinese Mainland’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and bank balances approximate to their fair values.

(a) Pledged deposits

The amounts represent the guarantee deposits for bills payables and carry interest at market rates ranging from 2.75% to 3.10% per annum for the years ended 31 December 2023, 2024 and 2025.

(b) Restricted cash for bills payable

The restricted cash were held in designated accounts to support the issuance of bank acceptance bills.

(c) Restricted cash for forward foreign exchange contracts

The restricted cash represented the cash required by the bank to secure specific banking obligations which guarantee the performance of foreign exchange transactions and mitigate currency risks, as required by relevant trading agreements.

APPENDIX I

ACCOUNTANTS’ REPORT

Company

	As at 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current			
Restricted cash	152,969	156,757	–
Current			
Cash and bank balances	297,606	352,446	400,555
Less: Restricted cash for bills payable	1,351	1,488	2,793
Restricted cash for foreign exchange settlement	5,750	5,768	–
Pledged deposits for bills payable	–	–	159,857
Cash and cash equivalents	<u>290,505</u>	<u>345,190</u>	<u>237,905</u>
Denominated in:			
RMB	221,330	185,403	195,451
USD	67,332	155,905	30,124
EUR	1,101	1,155	4,259
AUD	742	2,608	7,595
HKD	–	119	476
Total	<u>290,505</u>	<u>345,190</u>	<u>237,905</u>

25. TRADE AND BILLS PAYABLES

Group

	As at 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	436,417	359,861	357,696
Bills payables	130,488	249,884	126,792
Total	<u>566,905</u>	<u>609,745</u>	<u>484,488</u>

The trade payables are non-interest-bearing and are normally settled on terms of 90-days.

An ageing analysis of trade payables as at 31 December 2023, 2024, and 2025, based on invoice date, indicates that all amounts are within one year.

Included in the trade and bills payables are trade and bills payables of RMB412,999,000, RMB372,574,000 and RMB258,664,000 due to related parties which are repayable within 90 days, respectively.

Company

	As at 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	421,274	350,237	340,651
Bills payables	130,488	249,884	126,792
Total	<u>551,762</u>	<u>600,121</u>	<u>467,443</u>

The financial liabilities that are part of the Group’s supplier finance arrangements included in trade payables are normally settled on 180-day terms and 1-year terms, respectively.

As at 31 December 2023, trade and bills payables amounted to RMB10,000,000 are guaranteed by Ruili Company, the ultimate holding company of the Company, Mr. Zhang Xiaoping, the Chairman of the Company and Mrs. Chi Shuping, a supervisor of the Company.

APPENDIX I

ACCOUNTANTS’ REPORT

As at 31 December 2024, trade and bills payables amounted to RMB60,000,000 are secured by a pledge of 3,210,171 shares, representing 3% of the Company’s paid-in capital and are guaranteed by Ruili Company, the ultimate holding company of the Company, Mr. Zhang Xiaoping, the Chairman of the Company and Mrs. Chi Shuping, a supervisor of the Company.

As at 31 December 2024, trade and bills payables amounted to RMB70,000,000 are guaranteed by a completed property from Hangzhou Ruili Real Estate Group Co., Ltd., a related party of the Company, controlled by the ultimate holding company.

The Group has established supplier finance arrangements to one of its suppliers, Ruili Group Ruian Auto Parts Co., Ltd., which is a related party of the Group. Participation in these arrangements is entirely at the supplier’s discretion. Under the arrangements, the supplier may elect to receive payment from the Group’s banks either before the original invoice due date or on the original due date. If the supplier opts for early payment, the Group is required to pay a handling fee to the banks. For the banks to settle the invoices, the related goods must have been received or delivered and the invoices must have been approved by the Group. Payments to the supplier, whether made before or on the invoice due date, are processed by the banks. In all cases, the Group settles the corresponding invoice amounts with the banks on the original invoice maturity dates. The payment terms with the supplier have not been renegotiated as part of, or in connection with, these arrangements. Cash flows related to liabilities arising from supplier finance arrangements that are classified in trade and bills payables in the statement of financial position are included in operating activities in the statement of cash flows.

All financial liabilities that are part of the supplier finance arrangements are included in trade and bills payables in the statement of financial position and within trade payables.

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Carrying amount of financial liabilities that are part of the supplier finance arrangements included in:			
Trade and bills payables	10,000	130,000	–
Of which the supplier have received payments	10,000	130,000	–

26. OTHER PAYABLES AND ACCRUALS

Group

	Notes	As at 31 December		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Other payables and accruals	a	24,740	23,968	26,643
Amounts due to related parties		20,780	9,938	13,916
Payables for purchase of property, plant and equipment		152	121	221
Payroll and welfare payables		60,603	50,061	48,177
Provision for warranties	b	1,107	1,294	953
Volume rebates		479	374	1,286
Liabilities relating to redemption right held by NCI	c	–	8,533	9,924
Other tax payables		6,020	4,481	4,709
Total		113,881	98,770	105,829

Company

	Notes	As at 31 December		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Other payables and accruals	a	24,490	22,996	26,450
Amounts due to related parties		18,162	7,519	11,662
Payables for purchase of property, plant and equipment		152	121	221
Payroll and welfare payables		59,319	49,009	46,829
Provision for warranties	b	1,107	1,294	953
Volume rebates		479	374	1,286
Other tax payables		5,813	3,901	3,892
Total		109,522	85,214	91,293

APPENDIX I

ACCOUNTANTS’ REPORT

- a. Other payables and accruals were trade in nature, non-interest-bearing and repayable on demand.
- b. The Group offers consumers product quality warranties for its products, providing free repairs services during the warranty period for any defects or quality issues arisen after the sale. The amount of the provision for the warranties is estimated based on sales volumes and historical experience of the level of repairs. The estimation basis is reviewed on an ongoing basis and revised where appropriate.
- c. The Group has entered into investment agreements with certain subsidiaries that include a mandatory cash-settled repurchase obligation of the Company to the non-controlling interests of subsidiaries, triggered by the failure to meet specific performance targets. The settlement amount under these agreements is calculated as the initial investment principal plus a predetermined interest rate.

Group and Company

	Warranties
	<i>RMB'000</i>
At 1 January 2023	5,046
Additional provision	1,107
Amounts utilised during the year	<u>(5,046)</u>
At 31 December 2023 and 1 January 2024	1,107
Additional provision	1,294
Amounts utilised during the year	<u>(1,107)</u>
At 31 December 2024 and 1 January 2025	1,294
Additional provision	953
Amounts utilised during the year	<u>(1,294)</u>
At 31 December 2025	<u><u>953</u></u>

27. CONTRACT LIABILITIES

Group

	As at 1 January	As at 31 December		
	2023	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Short-term advance received from customers				
Sale of products	34,051	32,300	24,243	27,306
Volume rebates	6,006	5,576	8,042	1,659
Total	<u>40,057</u>	<u>37,876</u>	<u>32,285</u>	<u>28,965</u>

Company

	As at 1 January	As at 31 December		
	2023	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Short-term advance received from customers				
Sale of products	34,051	32,082	24,225	24,846
Volume rebates	6,006	5,576	8,042	1,659
Total	<u>40,057</u>	<u>37,658</u>	<u>32,267</u>	<u>26,505</u>

APPENDIX I

ACCOUNTANTS’ REPORT

28. INTEREST-BEARING BANK BORROWINGS

Group and Company

	As at 31 December 2023		
	<i>Effective interest rate (%)</i>	<i>Maturity</i>	<i>RMB’000</i>
Current			
Bank loans – secured	1.25-5.65	2024	<u>47,155</u>

	As at 31 December 2025		
	<i>Effective interest rate (%)</i>	<i>Maturity</i>	<i>RMB’000</i>
Current			
Bank loans – secured	2.14	2026	<u>30,136</u>

As at 31 December 2023, bank loan amounted to USD6,430,000 (RMB45,542,000) are guaranteed by a completed property from Hangzhou Ruili Real Estate Group Co., Ltd., a related party of the Company, controlled by the ultimate holding company.

As at 31 December 2023, bank loan amounted to RMB1,001,000 are secured by a pledge of banker’s acceptance bills held.

As at 31 December 2025, bank loan amounted to RMB30,000,000 are secured by a completed property from Shanghai Ruili Jiaye Real Estate Development Co., Ltd., a related party of the Company, controlled by the ultimate holding company, and are guaranteed by Mr. Zhang Xiaoping, the Chairman of the Company and Mrs. Chi Shuping, a supervisor of the Company.

APPENDIX I

ACCOUNTANTS’ REPORT

29. DEFERRED TAX

Group

The movements in deferred tax assets and liabilities as at 31 December 2023, 2024 and 2025 are as follows:

Deferred tax assets

	Impairment provision for financial assets and inventories	Lease liabilities	Losses available for offsetting against future taxable profits	Provision for sold products	Fair value adjustments of financial liabilities at fair value through profit or loss	Volume rebates	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	6,415	11,783	1,385	236	2,380	1,026	1,364	24,589
Deferred tax credited/(charged) to profit or loss during the year	3,384	(3,649)	(693)	41	(500)	(906)	231	(2,092)
At 31 December 2023	<u>9,799</u>	<u>8,134</u>	<u>692</u>	<u>277</u>	<u>1,880</u>	<u>120</u>	<u>1,595</u>	<u>22,497</u>
At 1 January 2024	9,799	8,134	692	277	1,880	120	1,595	22,497
Deferred tax (charged)/ credited to profit or loss during the year	(450)	(2,589)	40	47	(1,880)	(26)	173	(4,685)
At 31 December 2024	<u>9,349</u>	<u>5,545</u>	<u>732</u>	<u>324</u>	<u>–</u>	<u>94</u>	<u>1,768</u>	<u>17,812</u>
At 1 January 2025	9,349	5,545	732	324	–	94	1,768	17,812
Deferred tax (charged)/ credited to profit or loss during the year	(96)	(2,059)	(267)	(86)	–	227	382	(1,899)
At 31 December 2025	<u>9,253</u>	<u>3,486</u>	<u>465</u>	<u>238</u>	<u>–</u>	<u>321</u>	<u>2,150</u>	<u>15,913</u>

Deferred tax liabilities

	Right-of-use assets	Right-of-return assets	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2023	14,789	1,205	15,994
Deferred tax (credited)/charged to profit or loss during the year	(3,875)	176	(3,699)
At 31 December 2023	<u>10,914</u>	<u>1,381</u>	<u>12,295</u>
At 1 January 2024	10,914	1,381	12,295
Deferred tax credited to profit or loss during the year	(3,163)	(1)	(3,164)
At 31 December 2024	<u>7,751</u>	<u>1,380</u>	<u>9,131</u>
At 1 January 2025	7,751	1,380	9,131
Deferred tax (credited)/charged to profit or loss during the year	(2,263)	71	(2,192)
At 31 December 2025	<u>5,488</u>	<u>1,451</u>	<u>6,939</u>

APPENDIX I

ACCOUNTANTS’ REPORT

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes.

	As at 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net deferred tax assets recognised in the consolidated statement of financial position	10,202	8,681	8,974

Company

The movements in deferred tax assets and liabilities as at 31 December 2023, 2024 and 2025 are as follows:

Deferred tax assets

	Impairment provision for financial assets and inventories	Lease liabilities	Losses available for offsetting against future taxable profits	Provision for sold products	Fair value adjustments of financial liabilities at fair value through profit or loss	Volume rebates	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2023	6,412	11,503	1,201	236	2,380	1,026	1,364	24,122
Deferred tax credited/(charged) to profit or loss during the year	3,373	(3,605)	(1,201)	41	(500)	(906)	231	(2,567)
At 31 December 2023	9,785	7,898	–	277	1,880	120	1,595	21,555
At 1 January 2024	9,785	7,898	–	277	1,880	120	1,595	21,555
Deferred tax (charged)/credited to profit or loss during the year	(451)	(2,462)	–	47	(1,880)	(26)	173	(4,599)
At 31 December 2024	9,334	5,436	–	324	–	94	1,768	16,956
At 1 January 2025	9,334	5,436	–	324	–	94	1,768	16,956
Deferred tax (charged)/credited to profit or loss during the year	(118)	(2,015)	–	(86)	–	227	382	(1,610)
At 31 December 2025	9,216	3,421	–	238	–	321	2,150	15,346

APPENDIX I

ACCOUNTANTS’ REPORT

Deferred tax liabilities

	Right-of-use assets	Right-of-return assets	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 1 January 2023	14,500	1,205	15,705
Deferred tax (credited)/charged to profit or loss during the year	(3,827)	176	(3,651)
At 31 December 2023	<u>10,673</u>	<u>1,381</u>	<u>12,054</u>
At 1 January 2024	10,673	1,381	12,054
Deferred tax credited to profit or loss during the year	(3,040)	(1)	(3,041)
At 31 December 2024	<u>7,633</u>	<u>1,380</u>	<u>9,013</u>
At 1 January 2025	7,633	1,380	9,013
Deferred tax (credited)/charged to profit or loss during the year	(2,223)	71	(2,152)
At 31 December 2025	<u>5,410</u>	<u>1,451</u>	<u>6,861</u>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes.

	As at 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Net deferred tax assets recognised in the consolidated statement of financial position	<u>9,501</u>	<u>7,943</u>	<u>8,485</u>

30. PAID-IN CAPITAL

The movements in paid-in capital are as follows:

	Number of shares in issue	Paid-in capital
		<i>RMB’000</i>
At 1 January 2023	107,006,000	107,006
Issue of shares (a)	5,679,000	5,679
At 31 December 2023 and at 1 January 2024	112,685,000	112,685
Issue of shares (a)	329,000	329
At 31 December 2024, 1 January 2025 and 31 December 2025	<u>113,014,000</u>	<u>113,014</u>

In August 2023, the Company entered into a share subscription agreement with Ruian Zhongjin Xingqi Equity Investment L.P. (“**Zhongjin Xingqi**”), Wenzhou Transportation Group Co., Ltd. (“**Wenzhou Transportation**”), Shanghai Fangu Asset Management L.P. (“**Shanghai Fangu**”), Jiaxing Ruijian Zhanlue Venture Capital L.P. (“**Jiaxing Ruijian**”), Ruian Jihe Construction Engineering Co., Ltd. (“**Ruian Jihe**”), Wenzhou Haisu Co-creation Equity Investment L.P. (“**Wenzhou Haisu**”), Langfang State-owned Assets Operation Co., Ltd. (“**Langfang Guozi**”) and Anhui Bohai Co-creation Equity Investment Fund L.P. (“**Anhui Bohai**”). According to the agreement, the investors agreed to invest in the Company by subscribing for 6,914,000 shares at a total consideration of RMB420,000,000 (before expenses). As at 31 December 2023, the consideration was fully settled by these investors, except for Jiaxing Ruijian which remained unpaid subscribing capital contribution of RMB1,235,000.

In March 2024, Jiaxing Ruijian injected capital of RMB20,000,000, resulting in an increase in paid-in capital of RMB329,000. As at 31 December 2025, Jiaxing Ruijian has not fully paid up its subscribed capital RMB906,000.

APPENDIX I

ACCOUNTANTS’ REPORT

In 2021 and 2023, the Company entered into respective shareholders’ agreements and share subscription agreements (collectively, the “[REDACTED] Investors Agreements”) with various [REDACTED] Investors (collectively, the “[REDACTED] Investors”) and issued ordinary shares thereto with a total consideration of approximately RMB661 million (collectively, the “[REDACTED] Investments”). Pursuant to the [REDACTED] Investors Agreements, the [REDACTED] Investors were granted by the Company with redemption rights and liquidation preferences rights.

There was no exercise of redemption rights and liquidation preferences rights granted by the Company throughout the Relevant Periods.

As at May 2026, the Company and the [REDACTED] Investors subsequently entered into supplemental agreements (the “Supplemental Agreements”), agreeing that the redemption rights and liquidation preferences rights granted by the Company have been irrecoverably terminated and shall be void ab initio. Taking into account the legal and regulatory framework of the Company’s jurisdiction and the governing law of the Supplemental Agreements, the directors considered that it is appropriate to present the [REDACTED] Investments as equity throughout the Relevant Periods.

Had the redemption rights and liquidation preferences rights granted to the [REDACTED] Investors been accounted for as financial liabilities measured at present value of the redemption amount prior to entering into the Supplemental Agreements as at May 2026, (i) the redemption financial liabilities, total current liabilities and net assets would have been:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Redemption financial liabilities	710,250	782,955	835,835
Total current liabilities	1,505,859	1,542,147	1,502,457
Net assets	192,258	181,444	200,704

and (ii) the finance costs associated with the redemption financial liabilities, and the net (loss)/profit attributable to owners of the parent, basic and diluted (loss)/profit attributable to owners of the parent per share would have been:

	For the year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Finance costs associated with the redemption financial liabilities (RMB’000)	36,508	52,705	52,880
Total net (loss)/profit (RMB’000)	(35,637)	(10,192)	17,302
Basic and diluted (loss)/earnings per share attributable to owners of the parent (expressed in RMB)	(0.16)	(0.04)	0.07

31. SHARE-BASED PAYMENTS

In order to implement the Stock Incentive Plan, Ruian Xinruili No.1 Equity Investment Partnership was established and designated as stock incentive platforms to hold the shares specially awarded to the eligible participants as the ultimate beneficial owners.

Pursuant to the board resolution on 5 April 2021, the Board of Directors of the Company awarded 1,025,000 restricted share units (“RSUs”) of the Group as mentioned above to 436 incentive subjects.

	Date of grant	Number of award granted	Subscription price per share	Requisite service period
1	2021/4/5	1,025,000	RMB40.00	The later of five years and the completion of the successful [REDACTED] of the Company

The fair value of services received from employee in return for the indirect equity interests in the Company was measured by reference to the difference between the fair value of shares transferred and the subscription price paid by employee. The fair value of the share was determined with reference to recent transaction price.

The Group recognised share-based payment expenses of RMB1,099,000, RMB1,439,000 and RMB769,000 for the years ended 31 December 2023, 2024 and 2025, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

The following RSUs were outstanding during the Relevant Periods:

	Year ended 31 December		
	2023	2024	2025
	<i>Number of restricted shares</i>	<i>Number of restricted shares</i>	<i>Number of restricted shares</i>
At the beginning of the year	975,000	932,500	895,000
Forfeited during the year	(42,500)	(37,500)	(41,250)
At the end of the year	<u>932,500</u>	<u>895,000</u>	<u>853,750</u>

32. RESERVES

The amounts of the Group’s reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Group.

(a) Capital reserve

The capital reserve of the Group represents the excess of capital contributions from the equity holders of the Company over the paid-in capital, the difference between the consideration paid for business combinations under common control, the share of the net assets at book value in the consolidated financial statements of the ultimate controlling party, as well as the debit of equity due to redemption rights held by the NCI (Note 26).

(b) Share-based payment reserve

The share-based payment reserve comprises the fair value of restricted stock units (“RSU”) granted, as further explained in the accounting policy for share-based payments in note 2.4 to the Historical Financial Information.

(c) Statutory reserve

In accordance with the Company Law of the PRC, companies registered in the PRC are required to allocate 10% of the statutory after tax profits to the statutory reserve until the cumulative total of the reserve reaches 50% of the companies’ registered capital. Subject to approval from the relevant PRC authorities, the statutory reserve may be used to offset any accumulated losses or increase the registered capital of the companies. The statutory reserve is not available for dividend distribution to equity holders of the PRC subsidiaries.

(d) Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial information of entities of which the functional currency is not RMB.

APPENDIX I

ACCOUNTANTS’ REPORT

Company

Year ended 31 December 2023

	Capital reserve	Share-based payment reserve	Accumulated losses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2023	529,995	1,828	(82,871)	448,952
Profit and total comprehensive income for the year	–	–	4,892	4,892
Capital injection	339,321	–	–	339,321
Transaction costs directly attributable to the issuance of equity instruments	(1,651)	–	–	(1,651)
Share-based payment arrangements	–	1,099	–	1,099
Business combination involving entities under common control	(565)	–	–	(565)
At 31 December 2023	<u>867,100</u>	<u>2,927</u>	<u>(77,979)</u>	<u>792,048</u>

Year ended 31 December 2024

	Capital reserve	Share-based payment reserve	Accumulated losses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2024	867,100	2,927	(77,979)	792,048
Profit and total comprehensive income for the year	–	–	38,209	38,209
Capital injection	19,671	–	–	19,671
Share-based payment arrangements	–	1,439	–	1,439
At 31 December 2024	<u>886,771</u>	<u>4,366</u>	<u>(39,770)</u>	<u>851,367</u>

Year ended 31 December 2025

	Capital reserve	Statutory reserve	Share-based payment reserve	(Accumulated losses)/ retained earnings	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2025	886,771	–	4,366	(39,770)	851,367
Profit and total comprehensive income for the year	–	–	–	60,652	60,652
Share-based payment arrangements	–	–	769	–	769
Transfer from retained profits	–	2,088	–	(2,088)	–
At 31 December 2025	<u>886,771</u>	<u>2,088</u>	<u>5,135</u>	<u>18,794</u>	<u>912,788</u>

APPENDIX I

ACCOUNTANTS’ REPORT

33. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 December 2023, 2024 and 2025, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB41,799,000, RMB30,623,000 and RMB18,726,000 respectively, in respect of lease agreements.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank borrowings	Lease liabilities
	<i>RMB’000</i>	<i>RMB’000</i>
At 1 January 2023	155,717	51,597
Changes from financing cash flows	(111,433)	(41,467)
Interest expense	2,871	1,932
New leases	–	41,799
Derecognised upon early termination of leases	–	(17,555)
At 31 December 2023 and 1 January 2024	<u>47,155</u>	<u>36,306</u>
Changes from financing cash flows	(48,415)	(36,589)
Change in trade and bills receivables	(1,001)	–
Interest expense	2,261	1,386
New leases	–	30,623
Derecognised upon early termination of leases	–	(7,795)
At 31 December 2024 and 1 January 2025	<u>–</u>	<u>23,931</u>
Changes from financing cash flows	27,098	(27,717)
Interest expense	3,038	822
New leases	–	18,726
Derecognised upon early termination of leases	–	(777)
At 31 December 2025	<u>30,136</u>	<u>14,985</u>

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Within operating activities	19,739	6,706	5,978
Within financing activities	41,467	36,589	27,717
Total tax charge for the year	<u>61,206</u>	<u>43,295</u>	<u>33,695</u>

34. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Commitments to invest in joint ventures	<u>62,730</u>	<u>85,455</u>	<u>106,065</u>

APPENDIX I

ACCOUNTANTS’ REPORT

35. RELATED PARTY TRANSACTIONS

(a) Related parties for the years ended 31 December 2023, 2024 and 2025 were as follows:

<u>Name</u>	<u>Relationship</u>	<u>Referred to as</u>
Ruili Group Co., Ltd.	Controlling shareholder	Ruili Company
Ruili Group Ruian Auto Parts Co., Ltd.	Entity controlled by the executive director	Ruian Auto Parts
Hangzhou Hangcheng Friction Materials Co., Ltd.	Entity controlled by the executive director	Hangzhou Hangcheng
Zhejiang Ruili Air Compressor Equipment Co., Ltd.	Entity controlled by the executive director	Ruili Air Compressor
Ruili Meilian Braking Technology (Langfang) Co., Ltd.	Entity controlled by the executive director	Meilian (Langfang)
Shanghai Aijia Electronic Technology Co., Ltd.	Entity controlled by the executive director	Shanghai Aijia
Shanghai Maoxun Auto Decoration Material Products Co., Ltd.	Entity controlled by the executive director	Shanghai Maoxun
Wenzhou Ruiyu Intelligent Technology Co., Ltd.	Entity controlled by the executive director	Wenzhou Ruiyu
Guangzhou Ruili Kormee Automotive Electronics Co., Ltd.	Entity controlled by the executive director	Ruili Kormee
Wenzhou Ruili Kormee Automotive Electronics Co., Ltd.	Entity controlled by the executive director	Wenzhou Ruili Kormee
Wenzhou Ruili Automotive Technology Co., Ltd.	Entity controlled by the executive director	Wenzhou Ruili Automotive
Ruian Ruili Bund Life Plaza Management Co., Ltd.	Entity controlled by the executive director	Ruili Bund
Hangzhou Ruili Real Estate Development Co., Ltd.	Entity controlled by the executive director	Hangzhou Real Estate
Ruian Ruili Business Hotel Co., Ltd.	Entity controlled by the executive director	Ruian Business Hotel
Shanghai International Automobile City Ruian Industrial Co., Ltd.	Entity controlled by the executive director	Shanghai Industrial
Shanghai International Automobile City Ruili Hotel Management Co., Ltd.	Entity controlled by the executive director	Shanghai Hotel Management
Shanghai Ruili Jiaye Real Estate Development Co., Ltd.	Entity controlled by the executive director	Ruili Jiaye
Shanghai Ruiting Property Management Co., Ltd.	Entity controlled by the executive director	Shanghai Property Management
Wenzhou Jiayue Hotel Management Co., Ltd.	Entity significantly influenced by a close family member of the executive director	Wenzhou Jiayue
Changchun Ruili Kormee Automotive Electronics Co., Ltd.	Entity controlled by the executive director	Changchun Ruili Kormee
Wuhan Ruili Cortex Automotive Electronics Co., Ltd.	Entity controlled by the executive director	Wuhan Ruili Cortex
Wenzhou Transportation Xin Ruili Auto Parts Co., Ltd.	Joint venture	Wenzhou Transportation
Wenzhou Ouhai Transportation Xin Ruili Auto Parts Technology Co., Ltd.	Joint venture	Ouhai Transportation
Ruian Xin Ruili Transportation Auto Parts Co., Ltd.	Joint venture	Ruian Transportation
Pingyang Changqi Xin Ruili Auto Parts Co., Ltd.	Joint venture	Pingyang Transportation
Luoyang Transportation Xin Ruili Auto Parts Co., Ltd.	Joint venture	Luoyang Transportation
Xinchang Transport Investment Xin Ruili Auto Parts Co., Ltd.	Joint venture	Xinchang Transportation
Zhuji Long-distance Transport Xin Ruili Auto Parts Co., Ltd.	Joint venture	Zhuji Transportation
Bozhou Anche Xin Ruili Auto Parts Co., Ltd.	Joint venture	Bozhou Transportation
Langfang Transportation Xin Ruili Auto Parts Co., Ltd.	Joint venture	Langfang Transportation
Shandong Bus Xin Ruili Auto Parts Co., Ltd.	Joint venture	Shandong Transportation
Dandong Public Transport Xin Ruili Auto Parts Co., Ltd.	Joint venture	Dandong Transportation
Heze Lu Zhi Rui Auto Parts Co., Ltd.	Joint venture	Heze Transportation
Benxi Xin Ruili Passenger Transport Auto Parts Co., Ltd.	Joint venture	Benxi Transportation

APPENDIX I

ACCOUNTANTS’ REPORT

Name	Relationship	Referred to as
Jiyuan Transportation Xin Ruili Auto Parts Co., Ltd.	Joint venture	Jiyuan Transportation
Chongqing Xin Ruili Smart Link Technology Co., Ltd.	Joint venture	Chongqing Transportation
Chengdu Ruilong Chain Link New Energy Technology Co., Ltd.	Joint venture	Chengdu Transportation
Taizhou Transportation Xin Ruili Auto Parts Co., Ltd.	Joint venture	Taizhou Transportation
Zhongshan Xin Ruili Auto Parts Co., Ltd.	Joint venture	Zhongshan Transportation
Xin Ruili (Hequ) Auto Parts Co., Ltd.	Joint venture	Hequ Transportation
Suqian Xin Ruili Auto Parts Co., Ltd.	Joint venture	Suqian Transportation
Baotou Public Transport Xin Ruili Auto Parts Limited Liability Company	Joint venture	Baotou Transportation
Linyi Shengtong Xin Ruili Auto Parts Co., Ltd.	Joint venture	Linyi Transportation
Shaoxing Rail Transit Xin Ruili Auto Parts Co., Ltd.	Joint venture	Shaoxing Transportation
Hohhot Transportation Xin Ruili Auto Parts Limited Liability Company	Joint venture	Hohhot Transportation
Dezhou Jiuqu Xin Ruili Auto Parts Co., Ltd.	Joint venture	Dezhou Transportation
Zhuzhou Xin Ruili Public Transport Auto Parts Limited Liability Company	Joint venture	Zhuzhou Transportation
Liaocheng Transportation Xin Ruili Auto Parts Operation Co., Ltd.	Joint venture	Liaocheng Transportation
Shaanxi Shangyun Xin Ruili Auto Parts Co., Ltd.	Joint venture	Shaanxi Transportation
Jining Transportation Xin Ruili Auto Parts Co., Ltd.	Joint venture	Jining Transportation
Lishui Xin Ruili Auto Parts Co., Ltd.	Joint venture	Lishui Transportation
Yongzhou Jiaorui Auto Parts Co., Ltd.	Joint venture	Yongzhou Transportation
Jinhua Transport Investment Xin Ruili Auto Parts Co., Ltd.	Joint venture	Jinhua Transportation
Zhoushan Xin Ruili Auto Parts Co., Ltd.	Joint venture	Zhoushan Transportation
Zaozhuang Xin Ruili Auto Parts Co., Ltd.	Joint venture	Zaozhuang Transportation
Ningxia Xin Ruili Auto Parts Co., Ltd.	Joint venture	Ningxia Transportation
Daye Jiaorui Auto Parts Co., Ltd.	Joint venture	Daye Transportation
Baoshan Safety Tech Xin Ruili Auto Parts Co., Ltd.	Joint venture	Baoshan Transportation
Jiaxing Transportation Xin Ruili Auto Parts Co., Ltd.	Joint venture	Jiaxing Transportation
Guiyang Public Transport Xin Ruili Auto Parts Co., Ltd.	Joint venture	Guiyang Transportation
Fangchenggang Investment & Development Public Transport Xin Ruili Auto Parts Co., Ltd.	Joint venture	Fangchenggang Transportation
Guyuan Public Transport Xin Ruili Auto Parts Co., Ltd.	Joint venture	Guyuan Transportation
Ordos Ju Hui Auto Parts Limited Liability Company	Joint venture	Ordos Transportation
Yichun Transportation Ruili Auto Parts Co., Ltd.	Joint venture	Yichun Transportation
Huainan Transport Innovation Xin Ruili Auto Parts Co., Ltd.	Joint venture	Huainan Transportation
Xinxiang Xin Ruili Auto Parts Co., Ltd.	Joint venture	Xinxiang Transportation
Hanzhong Hanyun Xin Ruili Auto Parts Co., Ltd.	Joint venture	Hanzhong Transportation

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Transactions with related parties:

The Group had the following material transactions with related parties during the Relevant Periods:

	Notes	Year ended 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Sale of goods to	(i)			
Wenzhou Transportation		15,812	10,556	4,222
Taizhou Transportation		4,765	3,743	4,743
Langfang Transportation		2,838	4,000	4,160
Xinchang Transportation		2,402	3,924	3,221
Shandong Transportation		1,570	7,404	6,538
Luoyang Transportation		1,569	5,500	5,413
Bozhou Transportation		969	3,580	3,569
Dandong Transportation		775	2,230	1,444
Jining Transportation		–	10,796	40,414
Baotou Transportation		–	9,494	11,583
Yichun Transportation		–	6,562	9,154
Linyi Transportation		–	6,471	12,655
Heze Transportation		–	6,206	4,616
Suqian Transportation		–	5,983	13,620
Liaocheng Transportation		–	5,977	10,228
Zhongshan Transportation		–	5,810	5,625
Jiyuan Transportation		–	5,041	4,859
Benxi Transportation		–	3,665	2,932
Shaoxing Transportation		–	3,476	4,262
Jinhua Transportation		–	3,406	4,299
Zhuzhou Transportation		–	2,447	3,491
Shaanxi Transportation		–	2,261	3,168
Guyuan Transportation		–	2,083	1,524
Ruian Transportation		–	1,807	3,369
Lishui Transportation		–	1,387	2,359
Ouhai Transportation		–	1,158	2,325
Fangchenggang Transportation		–	1,008	5,066
Yongzhou Transportation		–	413	5,115
Zhuji Transportation		–	279	246
Hequ Transportation		–	197	–
Chongqing Transportation		–	–	18,039
Chengdu Transportation		–	–	16,346
Ordos Transportation		–	–	6,171
Hohhot Transportation		–	–	5,593
Guiyang Transportation		–	–	3,838
Dezhou Transportation		–	–	3,641
Huainan Transportation		–	–	3,509
Baoshan Transportation		–	–	3,430
Zaozhuang Transportation		–	–	2,674
Daye Transportation		–	–	2,218
Pingyang Transportation		–	–	2,308
Ningxia Transportation		–	–	1,952
Zhoushan Transportation		–	–	1,393
Hanzhong Transportation		–	–	902
Jiaxing Transportation		–	–	844
Xinxiang Transportation		–	–	749
Total		30,700	126,864	257,827

APPENDIX I

ACCOUNTANTS’ REPORT

The Group had the following material transactions with related parties during the Relevant Periods:

	Notes	Year ended 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Purchase of products from Ruili Group	(ii)			
Ruian Auto Parts		1,499,230	1,586,679	1,416,673
Hangzhou Hangcheng		63,751	59,395	50,884
Meilian (Langfang)		54,201	48,361	48,260
Ruili Air Compressor		31,860	76,626	80,590
Shanghai Aijia		989	902	975
Subtotal		1,650,031	1,771,963	1,597,382
Ruili Kormee Group				
Ruili Kormee		21,225	15,980	20,547
Wenzhou Ruili Kormee		15,718	7,226	8,467
Wuhan Ruili Cortex		50	–	–
Changchun Ruili Kormee		26	17	9
Subtotal		37,019	23,223	29,023
Total		1,687,050	1,795,186	1,626,405
Purchase of services from Ruili Group				
Hangzhou Real Estate		198	208	138
Ruian Business Hotel		152	907	733
Shanghai Property Management		105	121	142
Shanghai Hotel Management		93	574	404
Ruili Jiaye		31	28	31
Shanghai Industrial		19	19	16
Ruili Bund		–	52	69
Subtotal		598	1,909	1,533
Wenzhou Jiayue		510	547	669
Total		1,108	2,456	2,202
Payment for leases:				
Ruili Group				
Ruili Company		2,894	2,894	402
Hangzhou Hangcheng		1,485	672	150
Shanghai Industrial		541	541	569
Ruili Jiaye		110	110	122
Ruian Auto Parts		–	–	2,891
Total		5,030	4,217	4,134
Purchase of property, plant and equipment				
Ruili Group				
Wenzhou Ruiyu		1,422	818	561
Loans to				
Hangzhou Hangcheng		4,000	2,000	–
Interest income from				
Hangzhou Hangcheng		14	154	207

APPENDIX I

ACCOUNTANTS’ REPORT

Notes:

- (i) The sales to the related parties were made according to the published prices and conditions offered to the major customers.
- (ii) The purchases from the related parties were conducted in the ordinary course of business and based on commercial terms mutually agreed by the counterparties.
- (c) Outstanding balances with related parties:

	As at 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills receivables (trade)			
Ruili Group			
Ruian Auto Parts	6,715	3,726	–
Meilian (Langfang)	6	14	6
Subtotal	6,721	3,740	6
Wenzhou Transportation	10,853	4,065	3,980
Shandong Transportation	1,765	4,866	2,216
Luoyang Transportation	1,765	672	627
Taizhou Transportation	1,170	1,260	2,251
Bozhou Transportation	1,090	528	1,924
Dandong Transportation	872	–	130
Xinjang Transportation	793	1,687	1,845
Langfang Transportation	354	1,283	859
Jining Transportation	–	11,428	9,424
Linyi Transportation	–	5,939	3,749
Liaocheng Transportation	–	4,578	1,151
Suqian Transportation	–	4,531	5,705
Zhongshan Transportation	–	4,320	2,694
Baotou Transportation	–	2,988	8,341
Heze Transportation	–	1,899	1,505
Jinhua Transportation	–	1,897	513
Yichun Transportation	–	1,869	1,629
Ruian Transportation	–	1,806	2,034
Shaoxing Transportation	–	1,605	1,688
Benxi Transportation	–	1,543	428
Ouhai Transportation	–	1,361	1,188
Jiyuan Transportation	–	1,343	747
Fangchenggang Transportation	–	1,121	6,757
Shaanxi Transportation	–	869	1,106
Guyuan Transportation	–	653	328
Lishui Transportation	–	520	716
Zhuzhou Transportation	–	479	2,205
Yongzhou Transportation	–	462	4,182
Zhuji Transportation	–	312	86
Chongqing Transportation	–	–	20,197
Chengdu Transportation	–	–	8,377
Hohhot Transportation	–	–	4,240
Baoshan Transportation	–	–	3,789
Ordos Transportation	–	–	3,750
Zaozhuang Transportation	–	–	2,937
Guiyang Transportation	–	–	2,572
Dezhou Transportation	–	–	2,153
Huainan Transportation	–	–	1,957
Zhoushan Transportation	–	–	1,325
Ningxia Transportation	–	–	1,250
Jiaying Transportation	–	–	939
Daye Transportation	–	–	843
Xinxiang Transportation	–	–	840
Pingyang Transportation	–	–	696
Hanzhong Transportation	–	–	417
Total	25,383	69,624	126,296

APPENDIX I

ACCOUNTANTS’ REPORT

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Prepayments, other receivables and other assets (non-trade)			
Hangzhou Hangcheng	4,004	6,006	6,006
	<u>4,004</u>	<u>6,006</u>	<u>6,006</u>
Trade and bills payables (trade)			
Ruili Group			
Ruian Auto Parts	320,506	246,372	135,562
Ruili Air Compressor	28,529	70,445	79,848
Meilian (Langfang)	22,437	26,418	15,651
Hangzhou Hangcheng	21,636	14,557	12,032
Ruili Company	349	219	169
Shanghai Aijia	125	175	261
	<u>393,582</u>	<u>358,186</u>	<u>243,523</u>
Ruili Kormee Group			
Wenzhou Ruili Kormee	8,754	4,829	4,865
Ruili Kormee	3,813	9,071	10,113
Wenzhou Ruili Automotive	3,363	424	–
	<u>15,930</u>	<u>14,324</u>	<u>14,978</u>
Taizhou Transportation	2,200	18	29
Wenzhou Transportation	1,279	13	23
Shanghai Maoxun	8	8	–
Bozhou Transportation	–	24	60
Jinhua Transportation	–	1	24
Zhoushan Transportation	–	–	11
Chengdu Transportation	–	–	9
Yichun Transportation	–	–	7
	<u>412,999</u>	<u>372,574</u>	<u>258,664</u>
Contract liabilities			
Ruili Group			
Ruian Auto Parts	–	–	655
Dandong Public Transport Xin Ruili Auto Parts Co., Ltd.	–	108	–
Xin Ruili (Hequ) Auto Parts Co., Ltd.	–	35	–
	<u>–</u>	<u>143</u>	<u>655</u>
Other payables (trade)			
Ruian Auto Parts	17,723	5,436	9,672
Wenzhou Ruiyu	2,469	2,419	3,033
Ruili Kormee	588	748	588
Meilian (Langfang)	–	1,027	135
Ruili Bund	–	200	200
Ruili Air Compressor	–	108	108
Wenzhou Ruili Kormee	–	–	160
Hangzhou Hangcheng	–	–	20
	<u>20,780</u>	<u>9,938</u>	<u>13,916</u>

Amounts due from and due to related parties were unsecured, interest-free and repayable within 30 days, except for the loans to Hangzhou Hangcheng, amounting to RMB2,000,000, RMB6,000,000 and RMB6,000,000 as at 31 December 2023, 2024 and 2025, respectively, with interest rates ranging from 3.35% to 3.50%, and subsequently extend the maturity to December 2027.

APPENDIX I

ACCOUNTANTS’ REPORT

The Group expects to settle these amounts due from or due to related parties of non-trade nature prior to the [REDACTED].

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

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Salaries, bonus, allowances and benefits in kind	1,114	1,115	1,146
Performance related bonuses	378	398	521
Share-based payments	224	314	398
Pension scheme and social welfare.	85	92	70
Total	<u>1,801</u>	<u>1,919</u>	<u>2,135</u>

Further details of directors’ and supervisors’ emoluments are included in note 9 to the Historical Financial Information.

- (e) As disclosed in note 28 to the Historical Financial Information, the Group’s bank loans of USD6,430,000 (RMB45,542,000) were guaranteed by a completed property from Hangzhou Ruili Real Estate Group Co., Ltd. as at 31 December 2023.
- (f) As disclosed in note 28 to the Historical Financial Information, the Group’s bank loans of RMB30,000,000 were guaranteed by a completed property from Shanghai Ruili Jiaye Real Estate Development Co., Ltd., and were secured by the executive director of the Company as at 31 December 2025.
- (g) As disclosed in note 25 to the Historical Financial Information, the Group’s bills payables of RMB10,000,000 were secured by the Ruili Company and the executive director of the Company as at 31 December 2023.
- (h) As disclosed in note 25 to the Historical Financial Information, the Group’s bills payables of RMB60,000,000 were secured by the Ruili Company and the executive director of the Company as at 31 December 2024.
- (i) As disclosed in note 25 to the Historical Financial Information, the Group’s bills payables of RMB70,000,000 were guaranteed by a completed property from Hangzhou Ruili Real Estate Group Co., Ltd. as at 31 December 2024.
- (j) The Company has not provided any form of guarantee in connection with any potential failure of the controlling shareholders to fulfil their obligations relating to the redemption rights granted by controlling shareholders. Accordingly, no financial liability regarding redemption rights granted by controlling shareholders was recorded by the Company during Track Record Periods.

36. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are not derecognised in their entirety

At 31 December 2023, 2024 and 2025, the Group endorsed certain bills receivable accepted by banks in the Chinese Mainland (the “**Endorsed Bills**”) with a carrying amount of RMB63,909,000, RMB59,861,000 and RMB53,327,000, respectively, to certain of its suppliers in order to settle the trade payables due to such suppliers (the “**Endorsement**”). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled.

Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the year to which the suppliers have recourse was RMB63,909,000, RMB59,861,000 and RMB53,327,000 as at 31 December 2023, 2024 and 2025, respectively.

As at 31 December 2023, 2024 and 2025, the Group discounted certain bill receivables accepted by banks in Chinese Mainland (the “**Discounted Bills**”) with carrying amounts of RMB1,001,000, nil and nil, respectively (the “**Discounting**”). In the opinion of the Company’s directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Discounted Bills, and accordingly, it continued to recognize the full carrying amounts of the Discounted Bills and the associated bank borrowings. Subsequent to the Discounting, the Group did not retain any rights on the use of the Discounted Bills, including the sale, transfer or pledge of the Discounted Bills to any other third parties. The aggregate amounts of the Discounted Bills to which the banks have recourse were RMB1,001,000, nil and nil during the years ended 31 December 2023, 2024 and 2025, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

Transferred financial assets that are derecognised in their entirety

At 31 December 2023, 2024 and 2025, the Group endorsed certain bills receivable accepted by banks in the Chinese Mainland (the “**Derecognised Bills**”) to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB194,540,000, RMB45,673,000 and RMB43,517,000, respectively. The Derecognised Bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills may exercise the right of recourse against any, several or all of the persons liable for the Derecognised Bills, including the Group, in disregard of the order of precedence (the “**Continuing Involvement**”). In the opinion of the directors, the risk of the Group being claimed by the holders of the Derecognised Bills is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Bills are not significant.

During the years ended 31 December 2023, 2024 and 2025, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year and cumulatively. The endorsement has been made evenly throughout the Relevant Periods.

37. **FINANCIAL INSTRUMENTS BY CATEGORY**

The carrying amounts of each of the categories of financial instruments as at 31 December 2023, 2024 and 2025 are as follows:

31 December 2023

Financial assets	Financial assets at FVTOCI	Financial assets at amortised cost	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade and bills receivables	–	543,830	543,830
Financial assets included in prepayments, other receivables and other assets	–	11,694	11,694
Financial assets at FVTOCI	23,645	–	23,645
Restricted cash	–	160,070	160,070
Cash and cash equivalents	–	301,544	301,544
Total	23,645	1,017,138	1,040,783
Financial liabilities	Financial liabilities at FVTPL	Financial liabilities at amortised cost	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade and bills payables	–	566,905	566,905
Interest-bearing bank borrowings	–	47,155	47,155
Financial liabilities at FVTPL	7,521	–	7,521
Lease liabilities	–	36,306	36,306
Financial liabilities included in other payables and accruals	–	39,925	39,925
Total	7,521	690,291	697,812

APPENDIX I

ACCOUNTANTS’ REPORT

31 December 2024

Financial assets	Financial assets at FVTOCI	Financial assets at amortised cost	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills receivables	–	517,457	517,457
Financial assets included in prepayments, other receivables and other assets	–	12,164	12,164
Financial assets at FVTOCI	17,574	–	17,574
Restricted cash	–	164,013	164,013
Cash and cash equivalents	–	371,211	371,211
Total	<u>17,574</u>	<u>1,064,845</u>	<u>1,082,419</u>

Financial liabilities	Financial liabilities at amortised cost
	<i>RMB'000</i>
Trade and bills payables	609,745
Lease liabilities	23,931
Financial liabilities included in other payables and accruals	36,713
Total	<u>670,389</u>

31 December 2025

	Fair value measurement using			Total
	Financial assets at FVTPL	Financial assets at FVTOCI	Financial assets at amortised cost	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	–	–	566,612	566,612
Financial assets included in prepayments, other receivables and other assets	–	–	13,637	13,637
Financial assets at fair value through profit or loss	60,000	–	–	60,000
Financial assets at FVTOCI	–	9,405	–	9,405
Restricted cash	–	–	162,650	162,650
Cash and cash equivalents	–	–	279,519	279,519
Total	<u>60,000</u>	<u>9,405</u>	<u>1,022,418</u>	<u>1,091,823</u>

Financial liabilities	Financial liabilities at amortised cost
	<i>RMB'000</i>
Trade and bills payables	484,488
Interest-bearing bank borrowings	30,136
Lease liabilities	14,985
Financial liabilities included in other payables and accruals	45,503
Total	<u>575,112</u>

For the details of [REDACTED] investments, please refer to Note 30 to this report.

APPENDIX I

ACCOUNTANTS’ REPORT

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group’s financial instruments approximate to fair values.

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables, interest-bearing bank borrowings, financial liabilities included in other payables and accruals, and amounts due from/to subsidiaries approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group’s finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of restricted cash have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with AAA credit ratings. Derivative financial instruments, including forward currency contracts, are measured using valuation techniques similar to forward pricing, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contracts are the same as their fair values.

For the fair value of the bank bills at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

Fair value hierarchy

Assets measured at fair value

As at 31 December 2023

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB’000	RMB’000	RMB’000	
Financial assets at FVTOCI	–	23,645	–	23,645

As at 31 December 2024

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB’000	RMB’000	RMB’000	
Financial assets at FVTOCI	–	17,574	–	17,574

As at 31 December 2025

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB’000	RMB’000	RMB’000	
Financial assets at FVTPL	–	60,000	–	60,000
Financial assets at FVTOCI	–	9,405	–	9,405

APPENDIX I

ACCOUNTANTS’ REPORT

Liabilities measured at fair value

As at 31 December 2023

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB’000	RMB’000	RMB’000	
Derivative financial instruments . . .	–	7,521	–	7,521

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments comprise financial investments at fair value through profit or loss, cash and cash equivalents and interest-bearing bank borrowings. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally forward currency contracts. The purpose is to manage the currency risks arising from the Group’s operations and its sources of finance.

The main risks arising from the Group’s financial instruments are foreign currency risk, credit risk and liquidity risk. The management of the Company reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group operates the businesses Chinese Mainland and outside Chinese Mainland; nearly all operational transactions outside Chinese Mainland are conducted in USD. The foreign currency exposures of the Group mainly arise from the bank balances and trade receivables denominated in USD.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the RMB between USD exchange rate, with all other variables held constant, of the Group’s profit before tax and the Group’s equity.

	Increase/ (decrease) in USD/RMB rate	Increase/ (decrease) in profit after tax	Increase/ (decrease) in equity
	%	RMB’000	RMB’000
Year ended 31 December 2023			
If RMB weakens against USD	5	9,309	9,309
If RMB strengthens against USD	(5)	(9,309)	(9,309)
Year ended 31 December 2024			
If RMB weakens against USD	5	12,713	12,713
If RMB strengthens against USD	(5)	(12,713)	(12,713)
Year ended 31 December 2025			
If RMB weakens against USD	5	7,709	7,709
If RMB strengthens against USD	(5)	(7,709)	(7,709)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the management of the Company considers that the Group’s exposure to bad debts is not significant.

APPENDIX I

ACCOUNTANTS’ REPORT

Maximum exposure and staging as at 31 December 2023, 2024 and 2025

The table below shows the credit quality and the maximum exposure to credit risk based on the Group’s credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and staging classification as at 31 December 2023, 2024 and 2025. The amounts presented are gross carrying amounts for financial assets.

31 December 2023	12-month ECLs		Lifetime ECLs	
	Stage 1	Stage 3	Simplified approach	Total
	RMB’000	RMB’000	RMB’000	RMB’000
Trade and bills receivables*	–	–	546,739	546,739
Financial assets included in prepayments, other receivables and other assets				
– Normal**	12,026	–	–	12,026
Financial assets at FVOCI	–	–	23,645	23,645
Cash and cash equivalents				
– Not yet past due	301,544	–	–	301,544
Restricted cash				
– Not yet past due	160,070	–	–	160,070
Total	473,640	–	570,384	1,044,024
31 December 2024	12-month ECLs		Lifetime ECLs	
	Stage 1	Stage 3	Simplified approach	Total
	RMB’000	RMB’000	RMB’000	RMB’000
Trade receivables*	–	–	524,645	524,645
Financial assets included in prepayments, other receivables and other assets				
– Normal**	12,354	–	–	12,354
Financial assets at FVOCI	–	–	17,574	17,574
Cash and cash equivalents				
– Not yet past due	371,211	–	–	371,211
Restricted cash				
– Not yet past due	164,013	–	–	164,013
Total	547,578	–	542,219	1,089,797
31 December 2025	12-month ECLs		Lifetime ECLs	
	Stage 1	Stage 3	Simplified approach	Total
	RMB’000	RMB’000	RMB’000	RMB’000
Trade receivables*	–	–	576,054	576,054
Financial assets included in prepayments, other receivables and other assets				
– Normal**	13,908	–	–	13,908
Financial assets at FVOCI	–	–	9,405	9,405
Cash and cash equivalents				
– Not yet past due	279,519	–	–	279,519
Restricted cash				
– Not yet past due	162,650	–	–	162,650
Total	456,077	–	585,459	1,041,536

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

APPENDIX I

ACCOUNTANTS’ REPORT

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalent deemed adequate by management of the Group to finance the operations and mitigate the effects of fluctuations of cash flows.

The maturity profile of the Group’s financial liabilities as at 31 December 2023, 2024 and 2025, based on the contractual undiscounted payments, is as follows:

31 December 2023	Less than 12 months	1 to 5 years	Over 5 years	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Lease liabilities	22,498	19,558	–	42,056
Interest-bearing bank borrowings	47,752	–	–	47,752
Trade and bills payables	566,905	–	–	566,905
Financial liabilities included in other payables and accruals	39,925	–	–	39,925
Derivative financial instruments	7,521	–	–	7,521
Total	684,601	19,558	–	704,159
31 December 2024	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Lease liabilities	14,643	10,256	–	24,899
Trade and bills payables	609,745	–	–	609,745
Financial liabilities included in other payables and accruals	37,050	–	–	37,050
Total	661,438	10,256	–	671,694
31 December 2025	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Lease liabilities	10,443	5,186	–	15,629
Interest-bearing bank borrowings	30,300	–	–	30,300
Trade and bills payables	484,488	–	–	484,488
Financial liabilities included in other payables and accruals	45,880	–	–	45,880
Total	571,111	5,186	–	576,297

Capital management

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

The Group regards paid-in capital, capital reserve and all other equity reserves as its capital and manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to equity holders, return capital to equity holders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a debt-to-asset ratio, which is total liabilities divided by total assets. The ratios as at 31 December 2023, 2024 and 2025 were as follows:

	31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Total assets	1,715,029	1,733,477	1,708,232
Total liabilities	812,521	769,078	671,693
Debt-to-asset ratio	47.38%	44.37%	39.32%

APPENDIX I

ACCOUNTANTS’ REPORT

40. EVENTS AFTER THE RELEVANT PERIODS

In March 2026, Jiaxing Ruijian injected capital of RMB55,000,000, resulting in an increase in paid-in capital of RMB906,000.

In May 2026, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The net assets of the Company as of the conversion base date, including paid-in capital and reserves, amounting to approximately RMB1,079,954,000 were converted into 227,840,000 ordinary shares of RMB1.00 each. The excess of the net assets converted over the nominal value of the ordinary shares was credited to the Company’s capital reserve.

41. SUBSEQUENT FINANCIAL STATEMENTS

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

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX III SUMMARY OF THE ARTICLES OF ASSOCIATION

This Appendix mainly provides [REDACTED] with an overview of the Articles of Association adopted by the Company on June 13, 2026, which will become effective upon the [REDACTED] the H Shares on the Stock Exchange. As the following information is in summary form, it does not contain all the information that may be important to [REDACTED].

ISSUANCE OF SHARES

Shares of the Company shall take the form of share certificates. The shares of the Company shall be issued in an open, fair and equal manner. Each share of the same class shall rank pari passu with each other. Shares of the same class in the same issuance shall be issued under the same terms and at the same price. Each of the shares shall be subscribed for at the same price by any subscriber.

INCREASE, DECREASE, REPURCHASE AND TRANSFER OF SHARES

Increase and Decrease of Shares

According to the operation and development needs of the Company, subject to the laws and regulations, the Company may increase the capital by the following ways upon approval of special resolutions at the shareholders' meeting:

- (1) issuance of shares to unspecified parties;
- (2) issuance of shares to specified parties;
- (3) distribution of bonus shares to existing shareholders;
- (4) conversion of capital reserve into share capital;
- (5) other means stipulated by laws, administrative regulations, the provisions of the CSRC, Hong Kong Stock Exchange and other securities regulatory authorities of the place where the Company's shares are listed.

The Company may reduce its registered capital. Any reduction of the Company's registered capital shall be subject to the procedures prescribed in the Company Law, Listing Rules and other relevant regulations, as well as the Articles of Association.

Repurchase of Shares

The Company shall not to repurchase its own shares, unless otherwise under any of the following circumstances:

- (1) reducing the Company's registered capital;
- (2) merging with other companies holding shares of the Company;
- (3) using the shares as an employee shareholding scheme or equity incentive plan ;
- (4) purchasing its shares from shareholders who have voted against the resolutions on the merger or division of the Company at a Shareholders' meeting upon their request;
- (5) use of shares for conversion of convertible corporate bonds issued by the Company;
- (6) necessary for the Company to maintain its value and protect the interests of the shareholders;
- (7) other circumstances permitted by applicable laws, administrative regulations and the securities regulatory rules of the jurisdiction where the Company's shares are listed.

Transfer of Shares

The Directors and senior management of the Company shall notify the Company of their holdings of shares in the Company and the changes therein. The annual transfer of

APPENDIX III SUMMARY OF THE ARTICLES OF ASSOCIATION

shares during the term of office as determined at the time of their assumption of office shall not exceed 25% of their total holdings of shares of the Company. The shares of the Company held by them shall not be transferred within one year from the date on which the Company's shares are listed for trading. The shares in the Company held by them shall not be transferred within half a year from the date of their resignation. If applicable laws, administrative regulations, the provisions of the CSRC and/or the Listing Rules of the jurisdiction where the Company's shares are listed contain any other provisions restricting the transfer of the Company's shares, such provisions shall prevail.

If any of the Company's directors, senior management members or shareholders holding 5% or more of the Company's shares, sells the shares or other securities with an equity nature of the Company held by him/her within six months after buying the same, or buys shares or securities within six months after selling the same, the earnings therefrom shall belong to the Company and be taken back by the Board of Directors. However, where a securities company holds 5% or more of the Company's shares as a result of purchase and underwriting of the remaining shares after offering and under other circumstances stipulated by the CSRC, such taking back by the Company shall be exempted.

Shares or other securities with an equity nature held by directors, senior management members and individual shareholders as mentioned in the preceding Article include shares or other securities with an equity nature held by their spouses, parents, children and through other people's accounts.

If the Board of Directors of the Company fails to implement in accordance with the above provisions, shareholders are entitled to request the Board of Directors to implement within 30 days. If the Board of Directors of the Company fails to implement within the aforesaid time limit, shareholders are entitled to initiate legal proceedings directly in the people's court in their personal capacity for the interest of the Company.

If the Board of Directors of the Company fails to implement in accordance with the above provisions, the directors responsible shall bear joint and several liabilities in accordance with the law.

SHAREHOLDERS AND SHAREHOLDERS' MEETINGS

Shareholders

The Company shall establish a register of shareholders based on the certificates provided by the securities registration authority and the register of shareholders is sufficient evidence to prove that the shareholders hold the shares of the Company. Shareholders shall enjoy rights and assume obligations according to the class of shares they hold. Shareholders holding shares of the same class shall enjoy the same rights and assume the same obligations.

Shareholders of the Company enjoy the following rights:

- (1) to speak and vote at shareholders' meetings, save where voting must be abstained from in respect of specific matters as required under the Listing Rules;
- (2) to receive dividends and other forms of interest distributions in proportion to the shares they hold;
- (3) to petition for, convene, preside over, attend, or appoint a proxy to attend the Shareholders' meetings in accordance with applicable laws, and to exercise the corresponding rights of speech and voting;
- (4) to supervise, present suggestions on or make inquiries about the business operations of the Company;
- (5) to transfer, donate or pledge their shares in accordance with laws, administrative regulations and the Articles of Association;
- (6) to inspect and copy the Articles of Association, register of shareholders, minutes of shareholders' meetings, resolutions of the Board of Directors' meetings, financial and accounting reports; shareholders who meet the prescribed conditions may also inspect the Company's accounting books and accounting vouchers;

APPENDIX III SUMMARY OF THE ARTICLES OF ASSOCIATION

- (7) to participate in the distribution of the remaining properties of the Company in proportion to their shareholdings in the event of the termination or liquidation of the Company;
- (8) to request the Company to purchase their shares for the shareholders who object to the Company's resolution on merger or division made by the shareholders' meetings;
- (9) to inspect the Hong Kong branch register of the Company's register of shareholders, provided that the Company may suspend the registration of shareholders pursuant to provisions equivalent to Section 632 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong);
- (10) to enjoy other rights stipulated by laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's shares are listed, or the Articles of Association.

In the event that any resolution of the shareholders' meeting or resolution of the Board of Directors violates laws or administrative regulations, the Shareholder is entitled to request the people's court to deem it as invalid. In the event that the convening procedure or voting method of the shareholders' meeting or Board of Directors' meeting violates any of laws, administrative regulations or the Articles of Association, or any resolution of which violates the Articles of Association, the shareholder is entitled to request the people's court to overturn the resolution within 60 days upon the resolution was adopted, except where there are only some minor defects in the convening procedures or the voting method of the shareholders' meeting or the Board of Directors, which do not materially affect the resolution.

Where a director other than member of the Audit Committee or senior management member violates the provisions of the laws, administrative regulations or the Articles of Association in the course of performing his/her duties and causes losses to the Company, the shareholders individually or jointly holding 1% or more of the Company's shares for 180 or more consecutive days shall have the right to request the Audit Committee in writing to initiate legal proceedings in the people's court; where the member of the Audit Committee violates the provisions of the laws, administrative regulations or the Articles of Association in the course of performing his/her duties and causes losses to the Company, the aforementioned shareholders shall have the right to request the Board of Directors in writing to initiate legal proceedings in the people's court.

Upon receipt of the written request made by the shareholders as stipulated in the preceding paragraph, where the Audit Committee and the Board of Directors refuse to file a lawsuit or fail to file a lawsuit within 30 days from receipt of such request, or under urgent circumstances that failure in filing a lawsuit immediately will cause irreparable damage to the interests of the Company, the aforesaid shareholders shall have the right to file a lawsuit to the people's court directly in their own names for the benefits of the Company.

In the event that any person infringes the legitimate interests of the Company and causes losses thereto, the shareholders individually or jointly holding 1% or more of the Company's shares for 180 or more consecutive days may file a lawsuit to the people's court in accordance with the above provisions.

If a director or senior management member violates the provisions of the laws, administrative regulations or the Articles of Association, thereby damaging the interests of shareholders, the shareholders may initiate legal proceedings in the people's court.

General Provisions for Shareholders' Meetings

The shareholders' meeting of the Company shall be composed of all shareholders. The shareholders' meeting is the body of power of the Company which exercises the following functions and powers according to law:

- (1) to resolve on the Company's operating guidelines and investment plans;

APPENDIX III SUMMARY OF THE ARTICLES OF ASSOCIATION

- (2) to elect or remove the Directors (other than the employee representatives) and to decide on matters relating to the remuneration of Directors;
- (3) to consider and approve reports of the Board of Directors;
- (4) to consider and approve the Company's proposals for profit distribution plans and loss recovery plans;
- (5) to resolve on any increase or decrease of the Company's registered capital;
- (6) to resolve on the issue of corporate bonds by the Company;
- (7) to resolve on matters such as merger, division, dissolution and liquidation or change of corporate form of the Company;
- (8) to amend the Articles of Association;
- (9) to adopt resolutions on Company's appointments and dismissals of accounting firms and the remunerations of accounting firms;
- (10) to consider and approve the provision of guarantees stipulated in Article 45 of the Articles of Association;
- (11) to consider the purchase or sale of major assets of the Company in excess of 30% of the Company's latest audited total assets within one year;
- (12) to consider and approve changes in the use of proceed;
- (13) to consider the equity incentive plans and employee shareholding schemes;
- (14) to consider other matters on which decisions shall be made by the shareholders' meeting as required by laws, administrative regulations, departmental rules, and the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

The following provision of guarantees to third parties by the Company are subject to the consideration and approval by the Shareholders' meeting:

- (1) any guarantee provided after the total amounts of the guarantees provided by the Company and its holding subsidiaries exceeds 50% of the latest audited net assets of the Company;
- (2) a guarantee provided to a guaranteed party whose asset-liability ratio exceeds 70% ;
- (3) a guarantee with a single amount exceeds 10% of the latest audited net assets;
- (4) the total amount of guarantees within one year exceeds 30% of the latest audited total assets of the Company;
- (5) any guarantees provided after the aggregate amount of external guarantees of the Company exceeds 30% of the latest audited total assets of the Company;
- (6) any guarantees to be provided for shareholders, de facto controllers and their related parties;
- (7) other guarantees which shall be determined by the shareholders' meeting as required by the laws, administrative regulations, departmental rules, normative documents, the securities regulatory rules of the place where the Company' Shares are listed or the Articles of Association.

When the guarantee specified in item (4) as set out above is considered at the shareholders' meeting, it shall be approved by more than two-thirds of voting rights held by the shareholders present at the meeting.

APPENDIX III SUMMARY OF THE ARTICLES OF ASSOCIATION

When the Company provides guarantees for connected parties, there shall be reasonable commercial logic, and such guarantees shall be promptly disclosed after deliberation by the Board of Directors and submitted to the shareholders' meeting for review. When the Company provides guarantees for controlling shareholders, de facto controllers, or their related parties, the controlling shareholders, de facto controllers, or their related parties shall provide counter-guarantees.

The shareholders' meetings are classified into annual shareholders' meetings and interim shareholders' meetings. The annual shareholders' meeting shall be convened once a year and be held within 6 months after the end of the previous accounting year.

In any of the following circumstances, the Company shall convene an interim shareholders' meeting within 2 months from the date upon which the circumstance occurs:

- (1) when the number of directors falls short of the statutory minimum number specified in the Company Law or is less than two-thirds of the number specified in the Articles of Association;
- (2) when the unrecovered losses of the Company amount to one-third of the total share capital;
- (3) when requested in writing by shareholders who individually or jointly hold more than 10% voting rights of the Company (including preferred shares with restored voting rights, etc);
- (4) when the Board of Directors deems necessary;
- (5) when proposed by the Audit Committee;
- (6) other circumstances stipulated by laws, administrative regulations, departmental rules, or the Articles of Association.

Convening of Shareholders' Meetings

The Board of Directors is responsible for convening the shareholders' meeting. If the Board of Directors is unable or fails to fulfill its duty to convene such a meeting, the Audit Committee shall promptly convene and preside over the meeting in accordance with the Articles of Association. If the Audit Committee does not convene or preside over the meeting, shareholders who individually or jointly hold 10% or more of the Company's shares for 90 consecutive days or more may convene and preside over the meeting on their own initiative in accordance with the Articles of Association.

The Board of Directors shall convene the shareholders' meeting within the prescribed period. With the consent of more than half of all Independent Non-Executive Director, Independent Non-Executive Directors have the right to propose to the Board of Directors the convening of an interim shareholders' meeting. Upon receiving such a proposal from the Independent Non-Executive Directors, the Board of Directors shall, in accordance with laws, administrative regulations, and the Articles of Association, provide written feedback indicating whether it agrees to convene the interim shareholders' meeting within 10 days. If the Board of Directors agrees to convene the meeting, it shall issue a notice of the shareholders' meeting within 5 days after the Board resolution is made. If the Board of Directors does not agree to convene the meeting, it shall provide written reasons and make a public announcement.

The Audit Committee shall submit a written proposal to the Board of Directors when recommending the convening of an interim shareholders' meeting. The Board of Directors shall give a written reply as to whether it agrees or disagrees to hold an interim shareholders' meeting within 10 days upon receipt of the proposal in accordance with laws, administrative regulations and the Articles of Association. If the Board of Directors agrees to hold an interim shareholders' meeting, a notice of shareholders' meeting shall be given within 5 days after the resolution of the Board of Directors is made. Any change to the original proposal in the notice shall be subject to approval from the Audit Committee. If the Board of Directors does not agree to hold an interim shareholders' meeting or fails to give a reply within 10 days upon receipt of the proposal, it shall be deemed that the Board of Directors is unable or fails to perform its duty of convening a shareholders' meeting. In such a case, the Audit Committee may convene and preside over the meeting on its own.

APPENDIX III SUMMARY OF THE ARTICLES OF ASSOCIATION

Shareholders who individually or collectively hold 10% or more of the shares (including preferred shares with restored voting rights, etc) of the Company shall have the right to request the Board of Directors to convene an interim shareholders' meeting, and shall submit such request in writing to the Board of Directors. The Board of Directors shall, in accordance with the provisions of laws, administrative regulations and the Articles of Association, provide written feedback on whether or not to convene the interim shareholders' meeting within 10 days after receiving the request. If the Board of Directors agrees to convene an interim shareholders' meeting, it shall issue a notice of convening the shareholders' meeting within 5 days after the resolution of the Board of Directors is made, and changes to the original request in the notice shall be subject to the consent of the relevant shareholders. If the Board of Directors does not agree to convene an interim shareholders' meeting, or fails to give feedback within 10 days after receiving the request, shareholders who individually or collectively hold 10% or more of the Company's shares (including preferred shares with restored voting rights, etc) have the right to propose to the Audit Committee to hold an interim shareholders' meeting, and shall make a written request to the Audit Committee. If the Audit Committee agrees to convene an interim shareholders' meeting, it shall issue a notice of convening the meeting within 5 days of receiving the request, and any changes to the original request in the notice shall be subject to the consent of the relevant shareholders. Where the Audit Committee fails to issue a notice of the shareholders' meeting within the prescribed time limit, it shall be deemed that the Audit Committee has not convened and presided over the shareholders' meeting, and shareholders who individually or collectively hold 10% or more of the Company's shares for 90 consecutive days or more may convene and preside over it on their own.

If the Audit Committee or shareholders decide to convene a shareholders' meeting by themselves, prior to the announcement of the resolution of the shareholders' meeting, the shareholding ratio of the convening shareholders shall not be less than 10%.

Where the securities regulatory rules of the place where the Company's shares are listed provide otherwise, such provisions shall prevail, provided that they do not contravene the laws, administrative regulations of the PRC, and the Articles of Association.

Where the securities regulatory rules of the place where the Company's shares are listed provide otherwise with respect to the notice of the shareholders' meeting and the announcement of the resolutions of the shareholders' meeting issued by the Audit Committee or the convening shareholders, such provisions shall prevail, provided that they do not contravene the laws, administrative regulations of the PRC, and the Articles of Association.

The expenses necessary for the shareholders' meeting convened by the Audit Committee or the shareholders themselves shall be borne by the Company.

Proposals and Notices of Shareholders' Meeting

The content of proposals shall fall within the functions and powers of the shareholders' meeting, have clear subject for discussion and specific matters to be resolved and comply with relevant requirements of the laws, administrative regulations, the securities regulatory rules of the jurisdiction where the Company's shares are listed and the Articles of Association.

The Board of Directors, the Audit Committee, and shareholders who individually or collectively hold 1% or more of the shares of the Company shall have the right to put forward proposals to the Company at the shareholders' meeting. Shareholders who individually or collectively hold 1% or more of the shares of the Company may submit an interim proposal in writing to the convener 10 days prior to the convening of the shareholders' meeting.

The convener shall issue a supplementary notice of the shareholders' meeting within 2 days after receiving the interim proposal, disclosing the content of the interim proposal, and shall submit such interim proposal to the shareholders' meeting for deliberation. However, this shall not apply if the interim proposal contravenes laws, administrative regulations, or the provisions of the Articles of Association, or falls outside the purview of the shareholders' meeting's authority.

The convener shall notify all shareholders by way of announcement 20 days prior to the convening of the annual shareholders' meeting, and each shareholder shall be notified by way of announcement 15 days prior to the convening of the interim shareholders' meeting. The date of the meeting shall not be included in the calculation of the commencement period.

APPENDIX III SUMMARY OF THE ARTICLES OF ASSOCIATION

The notice of a shareholders' meeting shall include the following:

- (1) the time, place, method and duration of the meeting;
- (2) matters and proposals submitted to the meeting for consideration;
- (3) a prominent written statement that all shareholders have the right to attend the meeting of shareholders, and may entrust a proxy in writing to attend the meeting and vote. Such a proxy does not need to be a shareholder of the Company;
- (4) the shareholding registration date of the shareholders entitled to attend the meeting;
- (5) name and telephone number of the permanent contact person for conference affairs;
- (6) voting time and voting procedures on the Internet or in other ways.

The notice and supplementary notice of the shareholders' meeting shall fully and completely disclose all the specific contents of all proposals.

Proxy for the Shareholders' Meeting

A shareholder may attend and vote at the shareholders' meeting in person or by proxy.

Individual shareholders attending the meeting in person shall present their personal identity cards or other valid certificates or documents or proof of shareholding. Proxies attending the meeting shall present their personal identity cards and the power of attorney from the shareholder.

Corporate shareholders shall attend the meeting through its legal representative or a proxy duly authorized by the legal representative. Where the legal representative attends the meeting, he/she shall present his/her identity card and valid documents proving his/her capacity as the legal representative. Where a proxy attends the meeting, the proxy shall present his/her identity card and a written power of attorney lawfully issued by the legal representative of the corporate shareholder and stamped with the corporate shareholder's seal, except where the shareholder is a Recognized Clearing House or its proxy where the Company's shares are listed. If the corporate shareholder has appointed a representative to attend any meeting, such attendance shall be deemed as attendance in person.

If the shareholder is a Recognized Clearing House (or its proxy) as defined by the relevant ordinances of Hong Kong as amended from time to time or the securities regulatory rules of the place where the company's shares are listed, the shareholder may authorize one or more persons it deems fit, including its corporate representatives, to act as its proxy at any shareholders' meeting or any meeting of creditors; however, if more than one person is authorized, the power of attorney shall specify the number and class of shares in respect of which each such person is so authorized. A person so authorized may act on behalf of the Recognized Clearing House as if such person were an individual shareholder of the Company (without presenting shareholding certificates, notarized authorization and/or further evidence of its duly authorization), and shall be entitled to exercise the same statutory rights as other shareholders, including the right to speak and vote at such meetings, as if he or she were an individual shareholder of the Company.

If the power of attorney is signed by another person authorized by the principal, the power of attorney or other document authorizing the signature shall be notarized. The notarized power of attorney or other authorizing document, together with the instrument appointing the voting proxy, shall be deposited at such place as specified in the notice of the meeting.

APPENDIX III SUMMARY OF THE ARTICLES OF ASSOCIATION

The power of attorney issued by a shareholder to appoint another person to attend a shareholders' meeting shall contain the following particulars:

- (1) name of the principal, class and number of shares of the Company held by the principal;
- (2) name of the proxy;
- (3) instructions to vote for, against or abstain from voting on each matter to be considered that are included on the agenda of the shareholders' meeting, respectively;
- (4) date of issuance and date of expiry of the power of attorney;
- (5) signature (or seal) of the principal. If the principal is a corporate shareholder, the seal of the corporate shall be affixed.

The power of attorney should state whether the proxy may vote as he/she wishes if the shareholder does not give specific instructions.

Voting at the Shareholders' Meeting

Resolutions at shareholders' meeting are divided into ordinary resolutions and special resolutions. An ordinary resolution at a shareholders' meeting shall be passed by more than half of the voting rights held by the shareholders present at the shareholders' meeting (including proxies). A special resolution at a shareholders' meeting shall be passed by at least two-thirds of the voting rights held by the shareholders present at the shareholders' meeting (including proxies).

The following matters shall be passed by ordinary resolutions at the shareholders' meeting:

- (1) work reports of the Board of Directors;
- (2) plans for the distribution of profits and for recovery of losses proposed by the Board of Directors;
- (3) the election and removal of the members of the Board of Directors and their remuneration and payment method;
- (4) any other matters other than those shall be passed by special resolutions as required by laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

The following matters shall be passed by special resolutions of a shareholders' meeting:

- (1) the increase or reduction of the registered capital of the Company;
- (2) the division, spin-off, merger, dissolution and liquidation (including voluntary liquidation) of the Company;
- (3) any amendment to the Articles of Association;
- (4) purchase or sale of significant assets within a year or guarantee to others, the amount of which exceeds 30% of the Company's audited total assets for the latest period;
- (5) share incentive plan;
- (6) any other matters shall be passed by special resolutions as required by laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed, or the Articles of Association, as well as other matters that the shareholders' meeting determines by ordinary resolution will have a significant impact on the Company and need to be passed by special resolution.

APPENDIX III SUMMARY OF THE ARTICLES OF ASSOCIATION

If at any time the Company's shares are divided into different classes of shares, any variation of the rights attached to any class of shares shall, unless otherwise provided, be approved by a special resolution passed at a meeting of the shareholders of that class who are entitled to vote and are present at the meeting. For the purpose of this Article, the Company's A shares and H shares shall be regarded as shares of the same class.

Shareholders (including proxies) may exercise their voting rights by the number of shares held by them which carry the right to vote. Each share shall have one vote.

The shares held by the Company do not carry voting right, and shall not be included in the total number of shares with voting rights of shareholders present at the shareholders' meeting.

Based on the applicable laws, regulations, and the securities regulatory rules of the place where the shares of the Company are listed, if any shareholder is required to abstain from voting on a particular resolution, or is restricted to voting only for or only against a particular resolution, then any votes cast by or on behalf of such shareholder in violation of such requirement or restriction shall not be counted towards the total number of shares with voting rights.

If a shareholder purchases shares with voting rights of the Company in violation of the provisions of Clause 1 and Clause 2 of Article 63 of the Securities Law, the voting rights of such shares in excess of the prescribed proportion shall not be exercised and shall not be counted towards the total number of shares with voting rights present at the shareholders' meeting for thirty-six months after the purchase.

Where a related party transaction is considered at a shareholders' meeting, the interested shareholder(s) shall abstain from voting, and the voting shares held by the interested shareholder(s) shall not be counted in the total number of voting shares. The resolutions of the shareholders' meeting shall fully disclose the voting of the non-interested shareholders.

DIRECTORS AND THE BOARD OF DIRECTORS

Directors

Directors of the Company should be natural persons, and the following person should not serve as a director of the Company:

- (1) person without capacity or with limited capacity of civil conduct;
- (2) person who has been sentenced to criminal punishment for corruption, bribery, misappropriation or embezzlement of property, or disrupting the socialist market economic order, or who has been deprived of political rights due to a criminal offense, where less than five years have elapsed since the completion of the sentence or restoration of political rights; or who has been given a suspended sentence, where less than two years have elapsed since the expiration of the probation period;
- (3) person who was a former director, factory manager or general manager of a company or enterprise which was declared bankrupt and was liquidated and who was personally liable for the bankruptcy of such a company or enterprise, where less than three years have elapsed since the date of completion of bankruptcy and liquidation of the Company or enterprise;
- (4) person who was a former legal representative of a company or enterprise which had its business license revoked and was ordered to close down due to violation of the law and who was personally liable, where less than three years have elapsed since the date of the revocation;
- (5) person who has a substantial number of debts due and outstanding has been listed as a dishonest person by the people's court;
- (6) person who is subject to the CSRC's penalties which prohibits him/her from entering into the securities market for a period which has not yet expired;

APPENDIX III SUMMARY OF THE ARTICLES OF ASSOCIATION

- (7) person who has been publicly identified by a stock exchange or the securities regulatory rules of the jurisdiction where the Company's shares are listed as unsuitable to serve as a director or senior management of a listed company, and the period of such determination has not yet expired;
- (8) other circumstances specified by the laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's shares are listed.

The election, appointment or delegation of Directors in violation of the aforesaid provisions shall be null and void. If a director, during his/her term of office, becomes subject to any of the circumstances set forth above, the Company shall remove him or her from office in accordance with the relevant regulations.

Directors shall be elected or replaced by the shareholders' meeting and may be dismissed by the shareholders' meeting before the expiration of their term. The term of office of a director is 3 years. Directors shall be eligible for re-election and re-appointment upon the expiry of the term of office, provided that the consecutive tenure of an Independent Non-Executive Directors shall not exceed 6 years.

The term of office of a director shall commence from the date on which the said director assumes office until the expiry of the term of office of the current session of the Board of Directors. A director shall continue to perform his/her duties as a director in accordance with laws, administrative regulations, departmental rules, and the Articles of Association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office.

A director may serve concurrently as senior management member, but the total number of directors serving concurrently as senior management members and employee representative directors shall not be more than half of the directors of the Company.

Directors shall fulfill the following duties of loyalty to the Company:

- (1) not encroaching on the Company's property or misappropriating the Company's funds;
- (2) not depositing the Company's assets or funds into any accounts under their own names or the names of other individuals;
- (3) not abusing their powers to accept bribes or any other unlawful income;
- (4) not entering into any contract or conducting any transaction with the Company, directly or indirectly, without reporting to the Board of Directors or the shareholders' meeting and obtaining approval by resolution of the Board of Directors or the shareholders' meeting in accordance with the Articles of Association;
- (5) not leveraging their position and powers to procure business opportunities which should be available to the Company for themselves or others, unless such opportunities are reported to the Board of Directors or the shareholders' meeting and approved by resolution of the shareholders' meeting, or unless the Company is unable to make use of such opportunities under applicable laws, administrative regulations, or the Articles of Association;
- (6) not engaging in or operating, for oneself or on behalf of others, any business that is of the same nature as that of the Company without reporting to the Board of Directors or the shareholders' meeting and obtaining approval by resolution of the shareholders' meeting;
- (7) not accepting for their own benefit any commissions in relation to transactions with the Company;
- (8) not disclosing without authorization any confidential information of the Company;

APPENDIX III SUMMARY OF THE ARTICLES OF ASSOCIATION

- (9) not using their connected relationships to harm the interests of the Company;
- (10) performing any other duties of loyalty provided by the laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

The Company may have a claim against the breaching director for an account of profits for any income earned by such director in violation of the aforesaid provisions; such director is liable for compensation if any loss is caused to the Company.

Directors shall fulfill the following duties of care to the Company:

- (1) to exercise the powers conferred by the Company with prudence, care and diligence to ensure that the commercial activities of the Company comply with the provisions of the laws, administrative regulations and various state economic policies and not exceed the business scope specified in the business license of the Company;
- (2) to treat all shareholders impartially;
- (3) to keep track of the operation and management of the Company on a timely basis;
- (4) shall sign the written confirmation opinions on the Company's regular reports, and ensure that the information disclosed by the Company is true, accurate, and complete;
- (5) to provide the Audit Committee with truthful information and materials, and not to intervene in the performance of the Audit Committee of their duties and functions;
- (6) to perform any other duties of care provided by the laws, administrative regulations, departmental rules, regulatory rules of the place where the Company's shares are listed and the Articles of Association.

Directors who fail to attend two consecutive meetings of the Board of Directors either in person or entrust other directors to do so are deemed incapable of performing their duties, and the Board of Directors shall make a proposal to the shareholders' meeting to remove such directors. Directors may submit their resignation prior to the expiry of their terms of office. The resigning director is required to submit a resignation report to the Board of Directors in writing. The resignation takes effect upon the Company's receipt of the report.

If the resignation of a director results in the number of Board of Directors members falling below the quorum, the resigning director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations, departmental rules, normative documents, the securities regulatory rules of the jurisdiction where the Company's shares are listed and the Articles of Association until a new director is elected to fill the vacancy arising from such resignation.

No director is allowed to act in his/her own name on behalf of the Company or the Board of Directors without the legal authorization provided in the Articles of Association or from the Board of Directors. In the event that a director acts in his/her own name and a third party may reasonably believe that the director is acting on behalf of the Company or the Board of Directors, such director shall state his/her position and capacity in advance.

The Company will be liable for any damage caused to others by a director in the performance of his or her duties for the Company; the director shall also be liable for compensation if he/she is willful or grossly negligent.

Board of Directors

The Company shall establish a Board of Directors, which shall comprise eight directors, including one Chairman. Among them, three shall be Independent Non- Executive Directors, and one director shall be an employee representative.

APPENDIX III SUMMARY OF THE ARTICLES OF ASSOCIATION

The Board of Directors exercises the following functions and powers:

- (1) to convene shareholders' meetings and report on its work to the shareholders' meeting;
- (2) to implement the resolutions of the shareholders' meetings;
- (3) to decide on the Company's business plans and investment plans;
- (4) to formulate the Company's profit distribution plan and loss recovery plan;
- (5) to formulate proposals for the increase or reduction of the Company's registered capital, issuance of bonds or other securities, and listing plans;
- (6) to formulate plans for major acquisitions, purchase of the Company's shares, or merger, division, dissolution and change of form of the Company;
- (7) within the scope authorized by the shareholders' meeting, to decide on the Company's external investment, acquisition and sale of assets, asset pledge, external guarantee matters, entrusted wealth management, provision of financial assistance, connected transactions, external donations, and other matters;
- (8) to decide on the establishment of the Company's internal management structure;
- (9) to decide on the appointment or dismissal of the Company's general manager, secretary to the Board of Directors, or other senior management personnel, and to determine their remuneration, rewards, and penalties; based on the general manager's nomination, to decide on the appointment or dismissal of the Company's deputy general manager, chief financial officer, and other senior management personnel, and to determine their remuneration and rewards and penalties;
- (10) to formulate the Company's basic management system;
- (11) to formulate proposals for any amendment to the Articles of Association;
- (12) to manage the information disclosure matters of the Company;
- (13) to propose to the shareholders' meeting the appointment or change of the accounting firm acting as the auditors of the Company;
- (14) to receive the work report of the Company's general manager and examine the general manager's work;
- (15) other functions and powers conferred by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's Shares are listed or the Articles of Association and the shareholders' meeting.

Matters beyond the scope provided by the Articles of Association or the scope of authorization of the shareholders' meeting shall be submitted to the shareholders' meeting for consideration.

Meetings of the Board of Directors should be held at least four every year, once per quarter and convened by the Chairman. Notice of the meeting in writing should be served on all of the directors fourteen (14) days before the date of the meeting, except for the interim meetings.

An interim board meeting may be proposed by: (1) shareholders individually or collectively representing one tenth or more of the total voting rights of the Company; (2) one third or more of the directors; (3) the Audit Committee. The Chairman of the board shall convene and preside over the board meeting within 10 days upon receipt of such proposal.

The board meeting shall be held upon the attendance of more than half of directors. Resolutions made by the Board of Directors must be passed by more than half of all directors of the Company. Voting on the resolutions of the Board of Directors shall be conducted on a one-person-one-vote basis.

APPENDIX III SUMMARY OF THE ARTICLES OF ASSOCIATION

Independent Non-Executive Directors

Independent Non-Executive Directors shall diligently perform their duties in accordance with laws, administrative regulations, the rules of the CSRC, stock exchange rules, securities regulatory rules of the place where the Company's shares are listed, and the Articles of Association. They shall play roles in decision-making participation, supervision and checks and balances, and professional consultation at the Board of Directors, safeguard the overall interests of the Company, and protect the legitimate rights and interests of minority shareholders.

Independent Non-Executive Directors shall exercise the following special powers:

- (1) to independently engage intermediary institutions to conduct audits, consultations, or reviews on specific matters of the Company;
- (2) to propose to the Board of Directors the convening of an interim shareholders' meeting;
- (3) to propose the convening of a meeting of the Board of Directors;
- (4) to lawfully and publicly solicit shareholders' rights from shareholders;
- (5) to express independent opinions on matters that may harm the interests of the Company or minority shareholders;
- (6) to exercise other powers as provided by laws, administrative regulations, the regulations of the CSRC, the securities regulatory rules of the place where the Company's shares are listed, and the Articles of Association.

The exercise of the above powers listed in items (1) to (3) by Independent Non-Executive Directors shall require the consent of more than half of all Independent Non-Executive Directors.

The following matters shall be submitted to the Board of Directors for consideration only after being approved by more than half of all Independent Non-Executive Directors of the Company:

- (1) related party transactions that are required to be disclosed;
- (2) proposals for the Company or relevant parties to amend or waive commitments;
- (3) decisions and measures made by the Board of Directors in response to an acquisition of the Company;
- (4) other matters as stipulated by laws, administrative regulations, rules of the CSRC, securities regulatory rules of the place where the Company's shares are listed, and the Articles of Association.

The Company shall establish a dedicated meeting mechanism attended solely by Independent Non-Executive Directors. For matters such as related party transactions to be considered by the Board of Directors, prior approval shall be obtained at the dedicated meeting of Independent Non-Executive Directors. The Company shall convene dedicated meetings of Independent Non-Executive Directors on a regular or ad hoc basis. The matters specified in items (1) to (3) above regarding the special powers of Independent Non-Executive Directors and the matters listed above shall be reviewed by the dedicated meeting of Independent Non-Executive Directors.

Special Committees under the Board

The Company has established the Audit Committee under the Board of Directors, which shall exercise the powers and functions of the Board of Supervisors as stipulated by the Company Law.

APPENDIX III SUMMARY OF THE ARTICLES OF ASSOCIATION

The Company has also established the Nomination Committee, and the Remuneration and Appraisal Committee under the Board of Directors, which shall perform their duties in accordance with the securities regulatory rules of the place where the Company's shares are listed, the Articles of Association, and the authorization of the Board of Directors. Proposals from the special committees shall be submitted to the Board of Directors for deliberation and decision. The working procedures of the special committees shall be formulated by the Board of Directors.

SENIOR MANAGEMENT MEMBERS

The Company shall have one general manager and may have deputy general manager(s) as needed, who shall be appointed or dismissed by the Board of Directors. The Company may appoint one chief financial officer and one secretary to the Board of Directors, who shall be appointed or dismissed by the Board of Directors.

Senior management members of the Company include the general manager, the deputy general manager, the chief financial officer and the secretary to the Board of Directors.

The term of office of the general manager shall be 3 years, renewable upon re-appointment.

The general manager shall be accountable to the Board of Directors and exercise the following functions and powers:

- (1) to preside over the production, operation, and management of the Company, to organize the implementation of the resolutions of the Board of Directors, and report to the Board of Directors;
- (2) to organize the implementation of the Company's annual operation plan and investment proposal;
- (3) to prepare the plan for the establishment of the Company's internal management department;
- (4) to prepare the basic management system of the Company;
- (5) to formulate the specific rules and regulations of the Company;
- (6) to propose to the Board of Directors the appointment or dismissal of the Company's deputy general manager, chief financial officer and other senior management members;
- (7) to decide on the appointment or dismissal of senior management member other than those required to be appointed or dismissed by the Board of Directors;
- (8) other powers authorized by the Articles of Association or the Board of Directors.

The general manager shall attend meetings of the Board of Directors. A general manager who is not a director does not have the right to vote at the meetings of the Board of Directors.

FINANCIAL AND ACCOUNTING SYSTEM

Financial Accounting System

The Company shall establish its financial and accounting system in accordance with the laws, administrative regulations, the securities regulatory rules of the jurisdiction where the Company's shares are listed and the provisions stipulated by the relevant authorities of the PRC.

The Company shall submit and disclose its annual reports to the local branch offices of the CSRC and the stock exchange(s) in the place where the Company's shares are listed within 4 months from the end of each fiscal year, and its interim reports to the local branch offices of the CSRC and the stock exchange(s) in the place where the Company's shares are listed within 2 months from the end of the first half of each fiscal year.

APPENDIX III SUMMARY OF THE ARTICLES OF ASSOCIATION

The aforesaid annual reports, and interim reports shall be prepared in accordance with relevant laws, administrative regulations, requirements of the CSRC, securities regulatory rules of the jurisdiction where the Company's shares are listed, and the provisions of the stock exchange in the place where the Company's shares are listed.

The Company will not establish account books other than the statutory account books. The assets of the Company shall not be deposited in any personal account.

Profit distribution

The Company is required to set aside 10% of its profits into its statutory reserve fund when distributing each year's after-tax profits. When the cumulated amount of the statutory reserve fund of the Company has reached 50% or more of its registered capital, no further allocations is required.

Where the statutory reserve fund of the Company is insufficient to make up the losses of the Company for the preceding year, profits of the current year shall be applied to make up the losses before any allocation to the statutory reserve fund in accordance with the provisions in the preceding paragraph.

Subject to a resolution of the shareholders' meeting, after allocation has been made to the Company's statutory reserve fund from its after-tax profits, the Company may set aside funds for the discretionary reserve fund. After making up of losses and appropriation to reserve funds, balance of the profit after tax shall be distributed to shareholders in proportion to their shareholdings, unless otherwise stipulated in the Articles of Association.

No profit shall be distributed in respect of the shares of the Company which are held by the Company.

Reserve funds of the Company are used for recovering losses of the Company and expanding scale of operation of the Company or conversion into its capital. Where the reserve fund of the Company is used for making up losses, the discretionary reserve and statutory reserve shall be firstly used. If losses still cannot be made up, the capital reserve can be used according to the relevant provisions. When the statutory reserve funds are converted to increase the registered capital, the remaining balance of such reserve fund must not be less than 25% of its registered capital before such conversion.

After the resolution on the profit distribution plan is passed at the Company's shareholders' meeting, or after the Board of Directors of the Company formulates a specific distribution plan based on the conditions and upper limits for interim dividends approved at the annual shareholders' meeting, the Company shall complete the distribution of dividends (or bonus shares) within 2 months.

The Company shall distribute profits in the form of cash, shares, or a combination thereof. When conditions for cash dividend distribution are met, the Company shall prioritize the use of cash for profit distribution, with the cash dividend ratio being not less than 20%. Provided that the Company's normal production and operating capital needs are met, the Board of Directors may propose an interim dividend distribution based on the Company's current operating profits and cash flow situation.

Conditions for cash dividends: the Company's annual distributable profit (i.e., after-tax profit after offsetting losses and withdrawing reserves) is positive; the Company's cash flow is sufficient, and the implementation of a cash dividend will not affect its subsequent sustainable operations; the Company's cumulative distributable profit is positive; the auditing firm has issued a standard unqualified audit opinion on the company's financial report for that year; the Company has no major investment plans or major capital expenditure projects occurring (excluding projects financed by raised capital); no other special circumstances, recognized as unsuitable for profit distribution, have been reviewed and approved by the Company's shareholders' meeting.

INTERNAL AUDIT

The Company implements an internal audit system, which defines the leadership structure, responsibilities and authorities, staffing, funding guarantees, application of audit results, and accountability mechanisms for internal audit work. The Company's internal audit system shall be implemented after approval by the Board of Directors.

APPENDIX III SUMMARY OF THE ARTICLES OF ASSOCIATION

The internal audit department supervises and inspects the Company's business activities, risk management, internal controls, and financial information. The internal audit department is accountable to the Board of Directors.

APPOINTMENT OF ACCOUNTING FIRM

The Company shall appoint such accounting firm which has complied with the Securities Law for carrying out the audit for the accounting statements, net asset verification and other relevant consultancy services. The term of appointment is 1 year and can be re-appointed.

The appointment or removal of accounting firm by the Company shall be subject to the approval of the shareholders' meetings. The Board of Directors may not appoint accounting firm before the approval of the shareholders' meeting.

MERGER, DIVISION, INCREASE AND REDUCTION OF CAPITAL, DISSOLUTION AND LIQUIDATION

Merger, Division, Increase and Reduction of Capital

Merger of the Company may take the form of absorption or establishment of a new company. In the case of merger by absorption, a company absorbs any other company, and the absorbed company shall be dissolved. Merger by establishment of a new company shall refer to the establishment of a new company as a result of merger of two or more companies and dissolution of the merger parties.

In the event of a merger, the merger parties shall enter into a merger agreement, and formulate a balance sheet and an inventory list for assets. The Company shall notify its creditors within 10 days from passing of the resolution on merger, and make an announcement within 30 days in newspaper or on the National Enterprise Credit Information Publicity System. The Company shall also publish the announcement on the HKEXnews website (www.hkexnews.hk) and the Company's official website (if any) pursuant to the securities regulatory rules of the place where the Company's shares are listed. Creditors may require the Company to repay the debts or to provide the corresponding guarantee within 30 days from receipt of notification or within 45 days from the date of announcement if they do not receive notification.

At the time of merger, the claims and debts of the merger parties shall be succeeded by the Company which subsists after the merger or the newly established company.

When the Company undergoes a division, its assets shall be divided accordingly. In the event of a division, a balance sheet and an inventory list for assets shall be prepared. The Company shall notify its creditors within 10 days from passing of the resolution on division, and make an announcement within 30 days on newspaper or on the National Enterprise Credit Information Publicity System.

The debts of the Company prior to the division shall be assumed jointly and severally by the companies arising from the division, unless provided otherwise in a written agreement reached by the Company and the creditors in respect of repayment of the debts prior to the division.

Dissolution and Liquidation

The Company shall be dissolved for the following reasons:

- (1) upon the expiration of its operating term as stipulated in the Articles of Association, or upon the occurrence of other dissolution events specified herein;
- (2) a shareholders' meeting has resolved on dissolution of the Company;
- (3) dissolution is required due to the merger or division of the Company;
- (4) the Company's business license is revoked or the Company is ordered to be closed down or dissolved pursuant to the law; or

APPENDIX III SUMMARY OF THE ARTICLES OF ASSOCIATION

- (5) where the Company has serious difficulties in its business management that cannot be resolved through any other means, and its subsistence will cause serious damages to the interests of its shareholders, the shareholders who hold 10% or more of the total voting rights of the Company may apply to the people's court for dissolution of the Company.

If any of the situations as mentioned in the preceding paragraph arises, the Company shall publicize the situations through the National Enterprise Credit Information Publicity System within ten days.

If the above-mentioned circumstance (1) or (2) occurs and the Company has not yet distributed its assets to shareholders, the Company may continue to exist by amending the Articles of Association or through resolutions of the shareholders' meeting.

Where the Company is dissolved pursuant to the circumstances stipulated in (1), (2), (4) or (5) above, it shall be dissolved. The directors are the obligated parties for liquidation and shall form a liquidation committee to conduct liquidation within 15 days from the date the cause for dissolution arises. The liquidation committee shall be composed of directors, unless otherwise stipulated in the Articles of Association or resolved by the shareholders' meeting to appoint others. If the liquidation obligated parties fail to perform their liquidation duties in a timely manner, thereby causing losses to the Company or its creditors, they shall be liable for compensation.

APPENDIX IV STATUTORY AND GENERAL INFORMATION

A. FURTHER INFORMATION ABOUT THE COMPANY

1. Incorporation of Our Company

The Company was established as a limited liability company under the laws of the PRC on January 7, 2016 and was converted into a joint stock company with limited liability on June 12, 2026.

The Company [has established] a place of business in Hong Kong at 40/F, Dah Sing Financial Centre, 248 Queen’s Road East, Wanchai, Hong Kong. The Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Companies (Non-Hong Kong Companies) Regulation (Chapter 622J of the Laws of Hong Kong) on [●], with Ms. Lau Chun Yan (劉俊欣) of 40/F, Dah Sing Financial Centre, 248 Queen’s Road East, Wanchai, Hong Kong appointed as the Hong Kong authorized representative of the Company for acceptance of the service of process and any notices required to be served on the Company in Hong Kong.

As the Company was incorporated in the PRC, its operations are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and the Articles of Association is set out in Appendix III.

2. Changes in the Share Capital of the Company

Please refer to the section headed “History, Development and Corporate Structure” for changes in the share capital of the Company.

Save as disclosed above, there has been no alteration in the share capital of the Company within two years immediately preceding the date of this document.

3. Changes in the Share Capital of Our Subsidiaries

Certain details of our subsidiaries are set out in “History, Development and Corporate Structure — Our Major Subsidiary” and in the accountants’ report as set out in Appendix I to this document. Save for the subsidiaries mentioned in Note 1 of the accountants’ report set out in Appendix I to this document, our Company has no other subsidiary.

Save as disclosed below, there has been no alteration in the share capital of our subsidiaries within two years immediately preceding the date of this document.

- (1) On June 28, 2024, Quzhou Quyun Xinruili Auto Parts Co., Ltd.* (衢州衢運新瑞立汽配有限公司) was established in the PRC with a registered capital of RMB3 million.
- (2) On August 30, 2024, Lingbi Jiaotou Xinruili Auto Parts Co., Ltd.* (靈璧交投新瑞立汽配有限公司) was established in the PRC with a registered capital of RMB30 million. Subsequently, on April 13, 2026, its registered capital was reduced from RMB30 million to RMB1.5 million.
- (3) On October 17, 2024, Hangzhou Changyun Xinruili Auto Parts Co., Ltd.* (杭州長運新瑞立汽配有限公司) was established in the PRC with a registered capital of RMB5 million.
- (4) On November 28, 2024, Huaihua Huaiyun Xinruili Auto Parts Co., Ltd.* (懷化市懷運新瑞立汽配有限責任公司) was established in the PRC with a registered capital of RMB3 million.
- (5) On December 12, 2024, Qingdao Chengjiao Xinruili Auto Parts Co., Ltd.* (青島城交新瑞立汽配有限公司) was established in the PRC with a registered capital of RMB5 million.

APPENDIX IV STATUTORY AND GENERAL INFORMATION

- (6) On March 11, 2025, Yangzhou Xinruili Auto Parts Co., Ltd.* (揚州新瑞立汽配有限公司) was established in the PRC with a registered capital of RMB5 million.
- (7) On December 15, 2025, Shanghai Xinruili Automotive Technology Co., Ltd.* (上海新瑞立汽車科技有限公司) was established in the PRC with a registered capital of RMB1 million.
- (8) On December 18, 2025, Yili Chengyun Xinruili Auto Parts Co., Ltd.* (伊犁城運新瑞立汽配有限責任公司) was established in the PRC with a registered capital of RMB2 million.

4. Resolutions Passed by Our Shareholders' General Meeting in Relation to the [REDACTED]

At the extraordinary general meeting of the Shareholders held on June 13, 2026, the following resolutions, among other things, were duly passed:

- (i) the [REDACTED] by the Company of H Shares with a nominal value of RMB1 each and such H Shares be [REDACTED] on the Stock Exchange;
- (ii) the number of H shares to be [REDACTED] shall be no more than [REDACTED]% of the total [REDACTED] share capital upon the [REDACTED] (before the exercise of the [REDACTED]), and the grant of the [REDACTED] in respect of no more than [REDACTED]% of the number of H Shares [REDACTED] pursuant to the [REDACTED];
- (iii) authorization of the Board or its authorized individual to handle all matters relating to, among other things, the [REDACTED], the [REDACTED] and [REDACTED] of H Shares on the Stock Exchange; and
- (iv) subject to the completion of the [REDACTED], the conditional adoption of the revised Articles of Association, which shall become effective on the [REDACTED].

5. Restrictions on Repurchase

Please refer to Appendix III to this document for details.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of Material Contract(s)

We have entered into the following contract (not being contract entered into in the ordinary course of business) within the two years immediately preceding the date of this document that is or may be material:

- (a) the [REDACTED].

APPENDIX IV STATUTORY AND GENERAL INFORMATION

2. Intellectual Property





As at the Latest Practicable Date, the following intellectual property rights are material to the Group’s business:

(a) Trademarks

As at the Latest Practicable Date, we (including through Ruili Company) had registered the following trademarks which are material to its business:

No.	Trademark	Class	Registered owner	Place of registration	Registration number	Expiry date
1.	米瑞克	12	Our Company	PRC	66065067	January 13, 2033
2.	米瑞克	12	Our Company	PRC	63976928	October 6, 2032
3.	米瑞克	7	Our Company	PRC	3541723	November 27, 2034
4.	 Miracle 米瑞克	9	Our Company	PRC	3074197	May 6, 2033
5.	新瑞立	9	Ruili Company	PRC	84279073	September 6, 2035
6.	新瑞立	12	Ruili Company	PRC	84285241	September 6, 2035
7.	瑞立佳禾	35	Our Company	PRC	42106313	June 27, 2030
8.	 新瑞立汽配连锁 New SORL Auto Parts	1	Ruili Company	PRC	53681766	October 20, 2032
9.	 新瑞立汽配连锁 New SORL Auto Parts	7	Ruili Company	PRC	53688410	December 27, 2031
10.	 新瑞立汽配连锁 New SORL Auto Parts	9	Ruili Company	PRC	53686934	December 13, 2031
11.	 新瑞立汽配连锁 New SORL Auto Parts	12	Ruili Company	PRC	53688431	October 13, 2031
12.	 新瑞立汽配连锁 New SORL Auto Parts	42	Ruili Company	PRC	53681803	December 13, 2031

APPENDIX IV STATUTORY AND GENERAL INFORMATION

No.	Trademark	Class	Registered owner	Place of registration	Registration number	Expiry date
13.		1	Ruili Company	PRC	53681767	September 20, 2031
14.		7	Ruili Company	PRC	53690294	December 13, 2031
15.		11	Ruili Company	PRC	53681790	December 13, 2031
16.		12	Ruili Company	PRC	53677146	September 20, 2031

(b) Domain Names

As at the Latest Practicable Date, the Group registered the following domain names which are material to its business:

No.	Domain Name	Registered Owner	Expiry date
1 . . .	www.cnsorl.com	Our Company	January 13, 2027

(c) Software Copyrights

As at the Latest Practicable Date, the Group had registered the following software copyrights which are material to its business. The term of protection for software copyright owned by a legal person or other organization is 50 years, expiring on December 31 of the 50th year following the first publication or the completion of development of the software.

No.	Software name	Registrant	Registration number	Registration date
1. . . .	Intelligent expense control and reimbursement system of intelligent finance and taxation (智能財稅之智能費控報銷系統)	Our Company	2023SR0701719	June 25, 2023
2. . . .	Ruili workshop paperless production management software (瑞立車間無紙化生產管理軟件)	Our Company	2023SR0625136	June 12, 2023
3. . . .	Chanxiaobao SRM platform (產銷寶服務平台)	Our Company	2022SR0552721	April 29, 2022
4. . . .	Ruilibao CRM platform (瑞立寶服務平台)	Our Company	2022SR0552776	April 29, 2022
5. . . .	Xinruili auto parts chain aftermarket service platform (新瑞立汽配連鎖後市場服務平台)	Our Company	2020SR1251082	November 9, 2020

APPENDIX IV STATUTORY AND GENERAL INFORMATION

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interest

(a) Interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of our Company and our associated corporations

The following table sets out the interests and short positions of our Directors and chief executive of our Company immediately following completion of the [REDACTED] (without taking into account the H Shares which may be [REDACTED] and [REDACTED] pursuant to the exercise of the [REDACTED]) in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once our H Shares are [REDACTED]:

Name	Capacity/Nature of Interest	Class of Shares held after the [REDACTED]	Number of Shares	Approximate percentage of shareholding in the relevant class of Shares upon completion of the [REDACTED] ⁽¹⁾	Approximate percentage of shareholding in the [REDACTED] share capital of our Company after the [REDACTED] ⁽¹⁾
Mr. Zhang ⁽²⁾	Interest in controlled corporation	H Shares Domestic Unlisted Shares	[REDACTED] [REDACTED]	[REDACTED]% [REDACTED]%	[REDACTED]% [REDACTED]%

Notes:

- (1) The calculation is based on the total number of [REDACTED] Shares in [REDACTED] immediately after completion of the [REDACTED] (without taking into account the H Shares which may be [REDACTED] upon the exercise of the [REDACTED]).
- (2) Please refer to “Substantial Shareholders” above for details.

(b) Interests of the substantial shareholders in the Shares

Save as disclosed below and in the section headed “Substantial Shareholders” of this document, immediately following the completion of the [REDACTED] and without taking into account any Shares which may be [REDACTED] pursuant to the exercise of the [REDACTED], our Directors are not aware of any other person (not being a Director or chief executive of our Company) who will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company.

APPENDIX IV STATUTORY AND GENERAL INFORMATION

Name	Capacity/Nature of Interest	Class of Shares held after the [REDACTED]	Number of Shares	Approximate percentage of shareholding in the relevant class of Shares upon completion of the [REDACTED] ⁽¹⁾	Approximate percentage of shareholding in the [REDACTED] share capital of our Company after the [REDACTED] ⁽¹⁾
Ms. Chi ⁽²⁾	Interest of Spouse	H Shares Domestic Unlisted Shares	[REDACTED] [REDACTED]	[REDACTED]% [REDACTED]%	[REDACTED]% [REDACTED]%
Ruili Company ⁽²⁾ . . .	Beneficial interest	H Shares Domestic Unlisted Shares	[REDACTED] [REDACTED]	[REDACTED]% [REDACTED]%	[REDACTED]% [REDACTED]%
	Interest in controlled corporation	H Shares Domestic Unlisted Shares	[REDACTED] [REDACTED]	[REDACTED]% [REDACTED]%	[REDACTED]% [REDACTED]%
Ruili Ruiheng ⁽²⁾ . . .	Beneficial interest	H Shares Domestic Unlisted Shares	[REDACTED] [REDACTED]	[REDACTED]% [REDACTED]%	[REDACTED]% [REDACTED]%
	Interest in controlled corporation	H Shares Domestic Unlisted Shares	[REDACTED] [REDACTED]	[REDACTED]% [REDACTED]%	[REDACTED]% [REDACTED]%
Xinruili No.1 ⁽²⁾ . . .	Beneficial interest	H Shares Domestic Unlisted Shares	[REDACTED] [REDACTED]	[REDACTED]% [REDACTED]%	[REDACTED]% [REDACTED]%
Ruili Ruichuang ⁽²⁾ . . .	Interest in controlled corporation	H Shares Domestic Unlisted Shares	[REDACTED] [REDACTED]	[REDACTED]% [REDACTED]%	[REDACTED]% [REDACTED]%
Ruili No.52 ⁽²⁾	Beneficial interest	H Shares Domestic Unlisted Shares	[REDACTED] [REDACTED]	[REDACTED]% [REDACTED]%	[REDACTED]% [REDACTED]%

Notes:

- (1) The calculation is based on the total number of [REDACTED] Shares in [REDACTED] immediately after completion of the [REDACTED] (without taking into account the H Shares which may be [REDACTED] upon the exercise of the [REDACTED]).
- (2) Please refer to “Substantial Shareholders” above for details.

2. Particulars of the Directors Service Contracts

We will enter into a contract with each of our Directors in respect of, among other things (i) compliance of relevant laws and regulations, (ii) observance of the Articles of Association, and (iii) provisions on arbitration.

Save as disclosed above, none of the Directors has entered into any service contracts as a director with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Remuneration of Directors

For details of the remuneration of Directors, see “Directors and Senior Management — Emolument of Directors and Senior Management” and notes 9 and 10 in “Appendix I Accountants’ Report” to this document.

4. Disclaimers

- (a) Save as disclosed in this document, none of our Directors or our chief executive has any interest or short position in the Shares, underlying Shares or debentures of us or any of our associated corporations (within the meaning of Part XV the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers once the H Shares are [REDACTED] on the Stock Exchange;

APPENDIX IV STATUTORY AND GENERAL INFORMATION

- (b) Save as disclosed in this document, none of our Directors is a director or employee of a company which is expected to have an interest in the Shares falling to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO once the H Shares are [REDACTED] on the Stock Exchange;
- (c) Save as disclosed in the section headed “Connected Transactions” of this document, none of the Directors nor any of the experts referred to in “— D. Other Information — 8. Qualifications and Consents of Experts” below:
 - (i) has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group; or
 - (ii) is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Group;
- (d) Save in connection with the [REDACTED], none of the Directors nor any of the experts referred to in “— D. Other Information — 8. Qualifications and Consents of Experts” below:
 - (i) interested legally or beneficially in any shares in any member of our Group; or
 - (ii) has any right (whether legally enforceable or not) to [REDACTED] for or to nominate persons to [REDACTED] for any [REDACTED] in any member of our Group;
- (e) Save as disclosed in the document, so far as is known to the Directors, none of the Directors or their associates or any Shareholders who are expected to be interested in 5% or more of the issued share capital of the Company has any interest in the top five customers or our top five suppliers of the Group.

D. OTHER INFORMATION

1. Estate Duty

The Directors have been advised that no material liability for estate duty is likely to fall on the Group.

2. Litigation

As of the Latest Practicable Date, the Company was not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial conditions.

3. The Sole Sponsor’ Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor will receive an aggregate fee of USD800,000 for acting as the sponsors for the [REDACTED].

4. Compliance Adviser

The Company has appointed VBG Capital Limited as the compliance adviser upon [REDACTED] in compliance with Rules 3A.19 of the Listing Rules.

APPENDIX IV	STATUTORY AND GENERAL INFORMATION
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5. Preliminary Expenses

The Company has not incurred any preliminary expenses.

6. Taxation of holder of H Shares

The [REDACTED], [REDACTED] and [REDACTED] of H Shares [REDACTED] with our Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration of or, if higher, of the fair value of our Shares being sold or transferred. For further information in relation to taxation, please refer to the section headed “Regulatory Overview” in this document.

7. Promoters

Our promoters comprised of 18 Shareholders immediately before our conversion into a joint stock limited liability company on June 12, 2026. For details of our promoters, see “History, Development and Corporate Structure — History and Development — B. Changes in the shareholding structure of our Company and other major corporate events — (viii) Conversion into joint stock limited liability company in June 2026”.

Save as disclosed in the document, within the two years immediately preceding the date of this document, no cash, securities, amount or benefit has been paid, [REDACTED] or given, or has been proposed to be paid, [REDACTED] or given, to any of the promoters named above in connection with the [REDACTED] or the related transactions described in this document.

8. Qualifications and Consents of Experts

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) which have given opinions or advice in, or referred to in, this document are as follows:

Name of Expert	Qualifications
ABCI Capital Limited . . .	A licensed corporation carrying on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor under the Accounting and Financial Reporting Council Ordinance
JunHe LLP	Legal advisers as to PRC law to our Company
China Insights Industry Consultancy Limited . .	Independent industry consultant
Jun He Law Offices LLC & JunHe LLP	Legal advisers to our Company as to International Sanctions laws

Each of the experts listed above has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and/or letter and/or opinion and/or references to its name and qualifications included herein in the form and context in which they respectively appear.

APPENDIX IV STATUTORY AND GENERAL INFORMATION

9. Binding Effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided in Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since December 31, 2025 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

12. Miscellaneous

- (a) Save as disclosed in this document, within the two years preceding the date of this document, no share or loan capital of our Company or any of our subsidiary has been issued or has been agreed to be issued fully or partly paid either for cash or for a consideration other than cash.
- (b) Save as disclosed in this document, no share or loan capital of the Company or any of its subsidiary is under option or is agreed conditionally or unconditionally to be put under option.
- (c) No founder, management or deferred shares of the Company or any of its subsidiary have been issued or have been agreed to be issued.
- (d) Our Company has no outstanding convertible debt securities or debentures.
- (e) None of the experts listed under “— 8. Qualifications and Consents of Experts”:
 - (i) is interested beneficially or non-beneficially in any shares in any member of the Group; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group save in connection with the [REDACTED].
- (f) The English text of this document shall prevail over their respective Chinese text.
- (g) There are no procedures for the exercise of any right of pre-emption or transferability of subscription rights.
- (h) There are no contracts for hire or hire purchase of plant to or by us for a period of over one year which are substantial in relation to our business.
- (i) There is no arrangement under which future dividends are waived or agreed to be waived.
- (j) There has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this document.

APPENDIX IV STATUTORY AND GENERAL INFORMATION

- (k) Our Company is not presently [REDACTED] on any stock exchange or [REDACTED] on any trading system.
- (l) None of our equity and debt securities is presently listed on any stock exchange or traded on any trading system and no such listing or permission to list is being or is proposed to be sought.
- (m) Our Company currently does not intend to apply for the status of a sino-foreign investment joint stock limited liability company and does not expect to be subject to the Law of the PRC on Sino-foreign Equity Joint Ventures.
- (n) There are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from overseas.
- (o) Within the two years immediately preceding the date of this document, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group.

APPENDIX V	DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND DOCUMENTS ON DISPLAY
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DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of the material contract referred to in “Appendix IV — Statutory and General Information”; and
- (b) the written consents referred to in “Appendix IV — Statutory and General Information.”

DOCUMENTS ON DISPLAY

Copies of the following documents will be on display on the website of the Stock Exchange at www.hkexnews.hk and our website at www.cnsorl.com during a period of 14 days from the date of this document:

- (a) the Articles of Association;
- (b) the Accountants’ Report and the report on the unaudited [REDACTED] financial information prepared by Ernst & Young, the texts of which are set out in “Appendix I — Accountants’ Report” and “Appendix II — Unaudited [REDACTED] Financial Information”, respectively;
- (c) the audited consolidated financial statements of the Group for the three years ended December 31, 2023, 2024 and 2025;
- (d) the legal opinion from JunHe LLP, the Company’s PRC legal advisers, in respect of certain aspects of the Company and the property interests of our Group in the PRC;
- (e) the legal opinion from Jun He Law Offices LLC & JunHe LLP, legal advisers to our Company as to International Sanctions laws;
- (f) the industry report prepared by CIC, a summary of which is set forth in “Industry Overview”;
- (g) the PRC Company Law and the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies together with their unofficial English translations;
- (h) the service contracts between each of the Directors and the Company referred to in “Appendix IV — Statutory and General Information”;
- (i) the material contract(s) referred to in “Appendix IV — Statutory and General Information”; and
- (j) the written consents referred to in “Appendix IV — Statutory and General Information”.